





## NEWS: EUROPE

## Siemens plans to shed 2,300 more jobs

By Christopher Parkes in Frankfurt

TWO of Germany's leading multinationals yesterday blamed falling demand and prices in markets for electronics for the planned loss of almost 3,000 jobs.

Siemens, the electrical and electronics engineering giant, said it had been forced to speed up rationalisation of its loss-making semiconductor business.

The division, which has already shed almost 2,000 jobs this year, plans to reduce its international workforce by a further 2,300 to 11,000 by the time restructuring is complete in 1995, Mr Jürgen Knorr, managing director, said yesterday.

Tuning of the cuts would depend on market developments, he said, painting a gloomy picture of current prospects.

Meanwhile, BASF unveiled plans to close two audio and video cassette factories by the end of next year and reduce its payroll by 670.

The announcements add to a rapidly growing tally of job losses among leading German manufacturers, which are now feeling the full effects of international recession coupled with a rapid slowdown in the domestic economy.

Other recent cuts include the loss of 7,500 jobs at Deutsche Aerospace, the aircraft and space division of Daimler-Benz. Earlier this year the group said it was to reduce the payroll at its Mercedes-Benz vehicles subsidiary by 20,000.

Mr Knorr said prices for semiconductors had fallen 30 per cent and sales to important customers such as television, audio and engineering companies were down 25 per cent.

While the division had managed to maintain total turn-

Eastern Germany imported DM5.18bn from western Germany in July, up 25 per cent from a year ago, the Federal Statistics Office reported yesterday. AP-DJ reports from Wiesbaden.

Goods flowing to western Germany from eastern Germany in July amounted to DM736m, 12 per cent less than in July 1991, the agency added. In the first seven months of July, eastern Germany imported DM34.17bn from the 11 western states, 42 per cent more than the same period a year earlier. Exports to western Germany rose 10 per cent to DM5.79bn.

over at around last year's DM2bn (€800m) by stepping up volume sales by 10 per cent, there had been no significant impact on losses. The Siemens semiconductor business lost DM500m last year.

However, Mr Knorr claimed, markets were expected to improve next year thanks to increased demand from mobile telephone manufacturers, the conventional telecommunications industry, and the motor industry.

BASF Magnetics, a subsidiary of the BASF chemicals group, which lost DM234m last year on sales of DM2bn, said its tape factory in Ettenheim, Germany, would close by the middle of next year and a works in Glen, France, would be shut by the end of 1993.

The company, which first announced plans to close the Ettenheim works last year, and then shelved them following protests from the workforce, does not expect to return to profit until 1994.

■ Olivetti, the Italian conglomerate, is to close its Triumph-Adler factory in Nuremberg at the cost of about 1,000 jobs.

## Bundestag plans tighter control of EC issues

By Quentin Peel in Bonn

GERMANY'S main political parties are expected to reach agreement this week on an important constitutional amendment, giving the German parliament far more power to influence legislation in the European Community.

The plan, drafted by constitutional experts from the Christian Democrats and Free Democrats, from the government side, and from the opposition Social Democrats, would set up a form of EC oversight committee,

along the lines already operated in Britain and Denmark.

The new deal is likely to make Germany a less flexible negotiating partner, just as Denmark and Britain already are, because of their parliamentary control systems. The German plan would require the government to submit all proposed EC legislation to the committee, before it comes up for negotiation in the Council of Ministers, and then to take account of the parliamentary opinion in its subsequent negotiations.

It amounts to the first time that the German Bundestag - the directly elected lower house of parliament - has insisted on real powers to oversee and influence law-making in Brussels. Until now, the EC committee of the Bundestag has been little more than a rubber stamp for the negotiations of the German government.

Bonn has virtually agreed to similar powers for the 16 federal states in the Bundesrat, the upper house. German parliamentarians defend the proposed enhancement of their powers as an essential element of

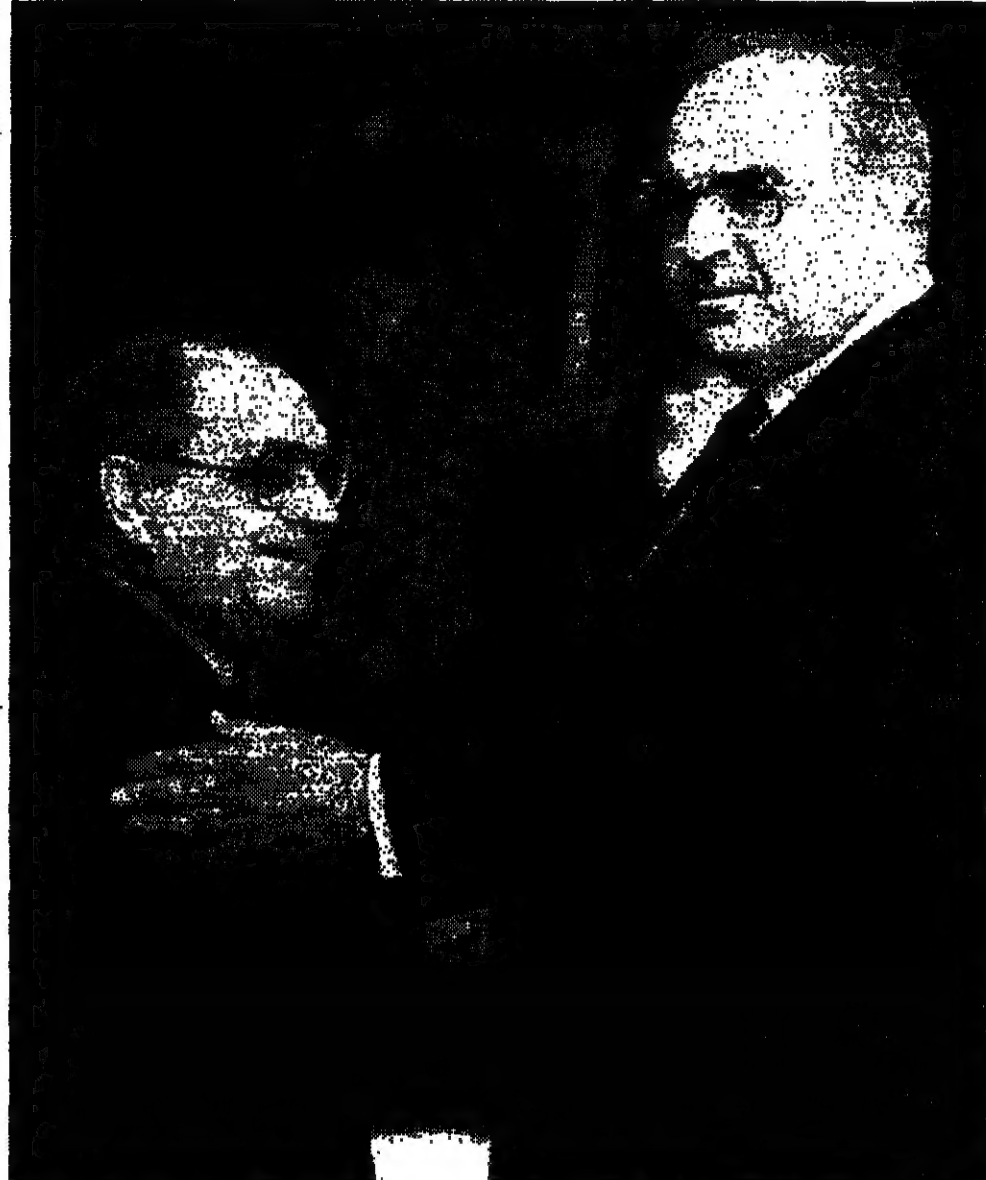
greater democratic control over Brussels - a demand sparked off by the current debate over the Maastricht treaty on European union. The Bundestag is likely to make the constitutional amendment a precondition for ratification of the treaty.

They also say that its aim is to make the EC more democratic, and more integrated, rather than to resist the integration process. However, they admit that it will depend very much on how such a powerful committee operates.

The plan won the backing yesterday of the Christian Democratic

Union and Christian Social Union Bundestag leadership, and is expected to be approved by the full constitutional committee on Thursday.

A simple constitutional amendment will be complemented by an accompanying law spelling out the details, requiring the German government to provide comprehensive information to the planned committee on every item of legislation, including an explanation of its purpose, of the government negotiating plans, and of the positions of other member states.



French Prime Minister Pierre Bérégovoy with Chancellor Helmut Kohl in Bonn

## Bonn and Paris talk tactics

CHANCELLOR Helmut Kohl of Germany and Mr Pierre Bérégovoy, the French prime minister, met in Bonn yesterday to prepare their positions for Friday's EC summit in Birmingham - and firmly rejected any suggestion of a "two-speed" European Community, writes Quentin Peel in Bonn.

As officials in Bonn denied any part in preparation of plans for an inner-core fast track Community, the two heads of government insisted that they were still determined to gain ratification of the Maastricht treaty on European

Union by all 12 member states - including Denmark and Britain.

Mr Kohl is involved in a hectic round of preparatory talks for the summit, along with Mr Klaus Kinkel, who flew last night to Paris for a dinner with Mr Roland Dumas, his French counterpart, and Mr Javier Solana, the Spanish foreign minister.

Today Mr Kinkel will fly to Brussels for a working dinner with Mr Jacques Delors, the president of the European Commission.

German officials are at pains

to stress that all the official activity does not amount to a specific German "initiative", but is rather part of a concerted effort by all member states to find common ground on a political declaration from the Birmingham summit, designed to reassure all the electorates about the Maastricht process.

One element in that process is the German plan for increased enforcement of "subsidiarity" in EC decision-making, as well as ideas for greater transparency in the whole EC process.

Underpinning this is the prime minister's consistent use of exchange rates to fight inflation. Appointed finance minister in 1979, after a string of devaluations, he quickly revalued the escudo by 6 per cent and has systematically boosted the currency since becoming prime minister in 1985.

"This is the first time since 1974," says Mr Cavaco Silva,

that a foreign economic crisis has not been magnified in Portugal.

In Lisbon, though, the government is brimming with purpose and policies. With the socialist opposition at war with itself, Mr Cavaco Silva's Social Democrats are slimming down the civil service and facing down opposition over introduction of university fees, military cuts and a new strike law.

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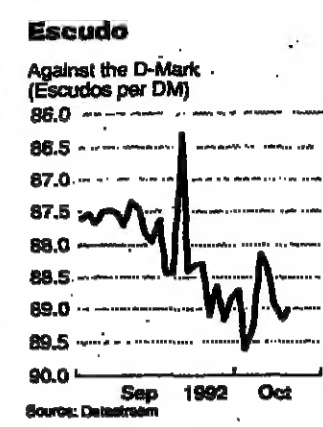
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## Portugal's currency and the great escape

Peter Bruce and Patrick Blum report on the escudo



Source: Deutschemark

IF OLD prejudice ruled the currency markets, the Portuguese escudo should be having a terrible time, along with its southern neighbours in the exchange rate mechanism, the lira and the peseta. The Portuguese are, after all, much poorer than Spaniards or Italians.

But no. While the lira has been catapulted from the system and the peseta has devalued 11 per cent since July, the tiny escudo has ridden out the European Monetary System's currency storm well within its 6 per cent ERM fluctuation band after hardening just one minor capital control.

The Bank of Portugal now holds bigger foreign currency reserves than France. Speakers at a banking conference in Oporto yesterday estimated current holdings at at least \$20bn (£14bn), the equivalent of about one year's imports.

Happy government officials in Lisbon, from Prime Minister Cavaco Silva down, insist this is simply market recognition of the sound state of Portugal's "fundamentals" - almost full employment, falling inflation (6 per cent from 11.4 per cent in 1991), declining interest rates and public debt, and a current account surplus.

Sceptics suggest that the escudo - which only joined the ERM in April - has escaped because speculators have not realised it is there to play with yet. They say the peseta's slide against the escudo makes a devaluation, soon, inevitable. Portugal does more than 20 per cent of its trade with Spain.

In Lisbon, though, the government is brimming with purpose and policies. With the socialist opposition at war with itself, Mr Cavaco Silva's Social Democrats are slimming down the civil service and facing down opposition over introduction of university fees, military cuts and a new strike law.

Underpinning this is the prime minister's consistent use of exchange rates to fight inflation. Appointed finance minister in 1979, after a string of devaluations, he quickly revalued the escudo by 6 per cent and has systematically boosted the currency since becoming prime minister in 1985.

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employers on 1993 wage increases. These talks can fix public service pay but set guidelines for the private sector. Lisbon will seek agreement around 6 per cent, with inflation targeted at between 5 per cent and 7 per cent.

Mr Miguel Namorado Rosa, chief economist at Banco Comercial Portugues, thinks this is optimistic. "The country is going through a very pronounced slowdown," he says. "The government has cut growth estimates for this year from 3.5 per cent to 2.5 per cent and investment is falling sharply."

"I think that when the currency markets stabilise we are going to see a dramatic devaluation," says Mr Namorado Rosa. Mr Jose Alberto Tavares Moreira, until recently governor of the central bank, agrees. "The escudo is perhaps too strong at the moment," he says. "It is not sustainable and will inevitably be reflected in a deterioration of the external accounts." But as a 5 per cent devaluation would take the heat off labour intensive exporting industry and could lift inflation to 10 per cent next year, Lisbon is not keen to move before setting the private sector a tough wages target. Time, though, is very tight, if agreement is to be reached before Portugal becomes swept up in broad ERM realignment.

For the moment there may be safety in obscurity. The escudo's life in the ERM has been so short that most market observers may not know it is there," says Mr Namorado Rosa. Even if they do, Portugal's \$25bn currency reserves may be worth more than all the tradeable escudos on the market even though central bank intervention has drawn down non-gold reserves because of recent turmoil in the foreign exchange markets.

And while the government's decision to halve the overdrafts that foreign branches of Portuguese banks can hold with their parents damages the spirit of Lisbon's decision in the summer to lift all capital controls next year, it was a relatively serene decision. "Portugal is run by economists," notes Mr Joao Oliveira Rendeiro, who runs Gestifundo, a Lisbon fund manager, referring to the prime minister and his finance minister. Perhaps that makes a difference.

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## NEWS IN BRIEF

## Creditors at odds on Soviet debt deal

WESTERN creditor governments are scheduled to meet in Paris in the middle of next week to discuss a possible rescheduling of the former Soviet Union's \$70bn foreign debt, writes Leyla Boulton in Moscow.

A deferral of principal payments on medium-term debts has been extended until the end of this month in anticipation of a full rescheduling. But Paris Club creditors are at loggerheads with each other and their commercial banks over how generous it should be.

Another problem is the Russia - which is the only republic to be making any debt repayments and wants formal responsibility for the entire debt if other republics give up claims on former Soviet assets - has so far failed to reach agreement with Ukraine on a special arrangement for sharing repayments with it.

Diplomats said this was less serious a problem, however, than disagreements between countries such as the US, which has relatively little exposure, and Germany, which is owed the lion's share.

Mr Peter Aven, Russian foreign economic relations minister, says Russia can pay only \$2.5bn-\$3bn next year instead of the \$20bn falling due.

## Russians board Greenpeace ship

Russian coastguards yesterday fired three shots across the bow of a Greenpeace ship investigating nuclear contamination and boarded the vessel, Reuters reports from Moscow.

## Kyrgyzstan to quit rouble zone

Kyrgyzstan, hard hit by Russia's price liberalisation last January, will leave the rouble zone and introduce its own currency by 1995, President Askar Akayev told Reuters in Bishkek, the capital. "We adopted a restructuring programme with the International Monetary Fund," he said. The IMF would lend the Central Asian republic \$300m next year. Kyrgyzstan joined the IMF in September.

The president has already pushed through legislation on foreign investment and made a modest start in privatising land.

Kyrgyzstan's largely rural economy, dependent on its neighbours' basic inputs of fuel, foodstuffs and raw materials, is facing collapse in a fragile commonwealth where co-ordination between member states is shrinking or entirely disappearing.

## More deaths in Kurd violence

Twenty-seven people have been killed in recent violence involving rebel Kurds in south-east Turkey, security officials said yesterday, Reuters reports from Diyarbakir.

They said 11 civilians, including six children and two women, had been killed on Sunday when rockets fired by Kurdistan Workers Party (PKK) guerrillas hit their homes in the town of Uludere. Nine rebels had been killed later in a clash with troops who launched a search operation in the area.

## Third night of clashes in Lyons

Six people were arrested and a dozen cars burned when mostly Arab youths clashed with riot police for the third night running in Vaulx-en-Velin, the troubled immigrant suburb of Lyons, Reuters reports.

Youths threw stones at police firing tear gas grenades after a local resident shot dead a Moroccan-born 18-year-old.

## Caucasus crisis lures Russia into old imperial role

THE AIRPORT at Georgia's capital, Tbilisi, is thronged with soldiers wearing the uniforms of at least four different bands - or no uniform in particular. Further north, in Sukhumi, the capital of the war-torn autonomous region of Abkhazia, soldiers supervising the loading of refugees into aircraft are as hysterical as the fleeing women - fighting among themselves, screaming and pushing at their charges and delaying the whole process with their inefficiency.

In this former Soviet republic now descending into impoverished disorder, being the only candidate helped Mr Eduard Shevardnadze achieve a sweeping election victory at the weekend: indeed, no-one stood against him because no-one thought they could - or wanted to - beat him.

The former Soviet foreign minister won three times more votes than needed to become the leader of the Transcaucasian state. In an estimated 80 per cent turnout, voters defied appeals for a boycott by supporters of the ousted president Mr Zviad Gamsakhurdia and gave Mr Shevardnadze more than 90 per cent of the vote.

Mr Shevardnadze says his mandate now is to bring peace, prosperity and democracy to his 5m-strong country.

His first task, however, is to wage more active war on the

If they are involved in Abkhazia, they are giving clear signals they wish to control at least part of the region beyond their border, writes John Lloyd

forces of the Abkhazians and their allies, which have succeeded over the past three weeks in pushing Georgian troops out of much of Abkhazia, save for the encircled units in Sukhumi. The Abkhazian separatists, led by Mr Vladislav Ardzinba, wants to attach Abkhazia to Russia - citing a fear of Georgian oppression.

In 1989, it was demonstrations for Abkhazian independence from Georgia and for attachment to Russia (though Abkhazians make up less than 20 per cent of the population of Abkhazia, the Georgians more than 40 per cent) which sparked off demonstrations in Tbilisi for Georgian independence from Russia.

Now, the Abkhazians are supported by the Confederation of Caucasian Mountain People - a mainly Moslem, pan-Caucasian organisation which is violently against the Shevardnadze regime and yearns for a Caucasian state.

In Sukhumi, among the few Abkhazians left is a former minister of the republic's government who has seen his fellow Abkhazians driven out of the city after Georgian troops entered it at the beginning of



Map of the Caucasus region showing Georgia, Armenia, Azerbaijan, and the conflict zones of Abkhazia and Nagorno-Karabakh.

last month and who recounts tales of theft and beatings. Indeed, during an interview in his flat, three Georgian soldiers burst in, guns at the ready, having been alerted by neighbours of the presence of the foreign press in the "Abkhazians' house". After an uncomfortable few minutes an officer arrived and took the men away.

Mr Georgi Khaindrava, the Georgian minister responsible for Abkhazia, said later that any impropriety on the part of his troops would be punished, if necessary with summary execution: he also admits there have been many excesses.

Out on the "frontline" along the river Gumista a few miles from Sukhumi, the two sides,

only 200 yards apart, trade light arms fire from behind walls and dugouts. Mr Khaindrava said at the weekend: "We expect an attack at any time, but we are ready."

The most serious charge is the involvement of Russian soldiers. The allegation is that Russian units, with civilian volunteers from the Russian north Caucasian republics just over the Georgian/Russian border, form the backbone of the Abkhazian forces - especially when they took the town of Gagra earlier this month. The Russian units are alleged to be controlled by General Georgi Kondratyev, the Russian deputy defence minister, and General Pavel Sigutkin, commander of the big Russian air base at Gudauta, in Abkhazia - where war material is unloaded and used on the Abkhazian side.

In the sophisticated version of this charge - used by Mr Shevardnadze and Mr Khaindrava - Mr Boris Yeltsin, the Russian president, is being led by the nose by "reactionary circles" in Russia. There is no proof of the involvement, and it is denied by the Russian defence ministry; however, the



A Georgian national guardsman rests on his automatic rifle in a lull between the fighting.

volunteers from the Caucasian states enter Abkhazia freely, and the Abkhazians are well armed.

If the conflict is not stopped, it will consume this small country - inevitably reviving

the conflict in the South Ossetian region to the north, where peace between the Georgians and Ossetians is kept by Russian soldiers. If the Russians really are intervening - albeit without direct authority from

the president - they are giving clear signals that they wish to control at least part of the Caucasus outside Russia.

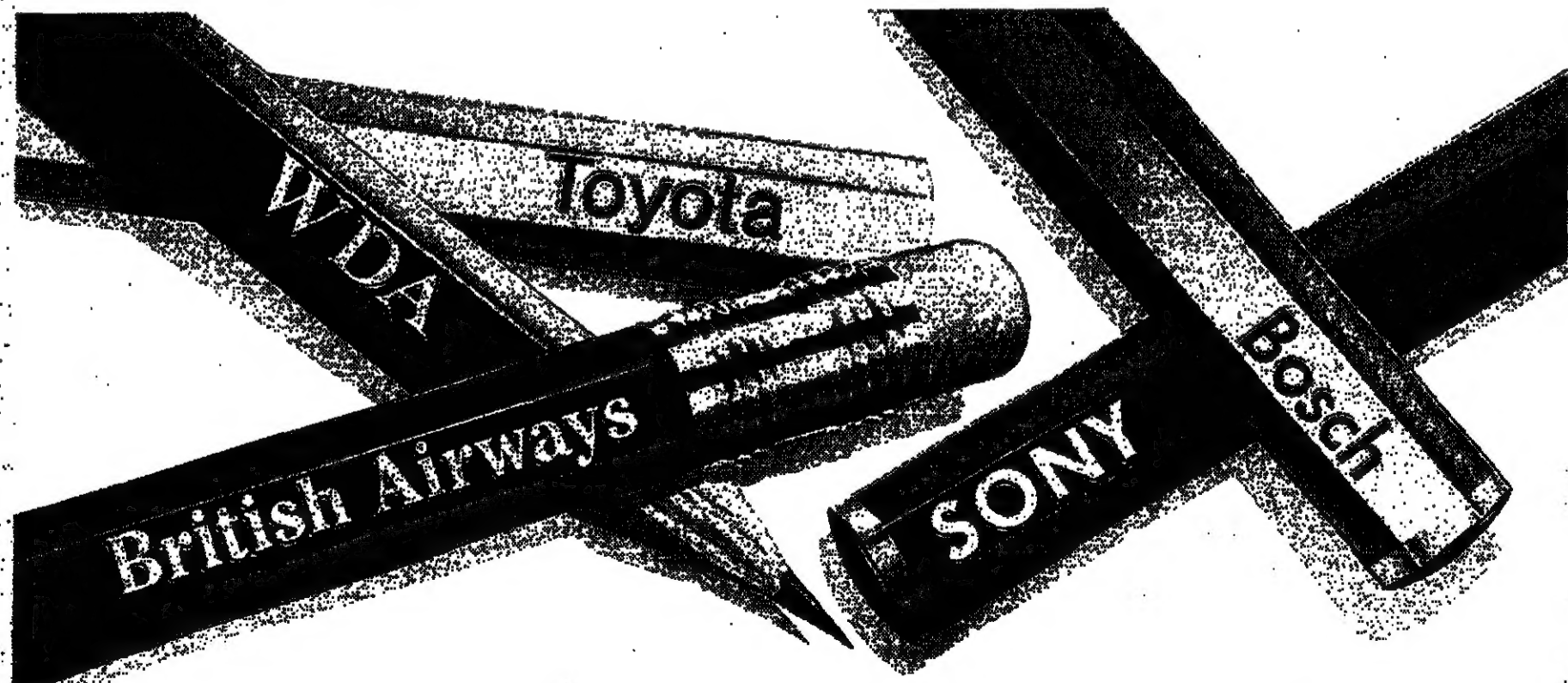
Meanwhile, the war between Armenia and Azerbaijan over the Armenian enclave of Nagorno-Karabakh has recently escalated as more powerful Azerbaijan seeks to reverse Armenian gains made in the spring.

Russia, though urged by Armenia (a member of the Commonwealth of Independent States) to assist it, has sought to keep a balance: Mr Yeltsin yesterday signed a treaty of co-operation and security with Mr Abulfaz Elchibey, the Azeri president.

Mr Shevardnadze said yesterday he was ready to meet Mr Yeltsin in or near Sukhumi today. However, a spokesman for Mr Yeltsin in Moscow said a delay in the planned talks was necessary to work out "new elements" in the process.

The three Caucasian states are not the only legacies of the Soviet imperium, but they are the most complex and violent. As the Commonwealth of Independent States further weakens, and as Russia defines its national interest more in classic terms of regional power bargaining and pressure than in efforts to create a co-operative commonwealth, so its meddling in these historically swirling waters must increase once more.

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## NEWS: INTERNATIONAL

## Korea's perennial opposition leader boosted by DLP split

THE presidential hopes of Mr Kim Dae-jung, South Korea's perennial opposition leader, have suddenly improved as the ruling Democratic Liberal Party (DLP) appears to be splitting apart.

The crisis in the DLP reached a critical point over the weekend with the resignation of Mr Park Tae-joon, head of the party's majority faction. The departure of Mr Park, who also resigned last week as chairman of the state-affiliated Posco steel company, is likely to trigger the exodus of other important DLP figures who could establish a new conservative political party.

That would damage the chances of Mr Kim Young-sam, the DLP nominee and current leader in the presidential election, expected in mid-December. State television said yesterday that Mr Kim would announce that he was resigning as a member of parliament today to devote himself to the presidential campaign.

Analysts said that by quitting parliament he was hoping to heal



Kim Young-sam: to quit as MP

the rifts in his party.

Conservative support for Mr Kim has already been eroded by the candidacy of Mr Chung Ju-yung, the founder of the South Korean conglomerate Hyundai who formed the United People's Party (UPP) earlier this year.

By contrast, Mr Kim Dae-jung's

support, which mainly consists of working- and middle-class voters in Seoul and his home base in the rural south-western Cholla region, remains firm. He is now running a close second behind Mr Kim Young-sam.

The DLP has been an uneasy political alliance since its creation in 1990 as a result of a merger of President Roh Tae-woo's Democratic Justice Party with two opposition parties, including Mr Kim Young-sam's Reunification Democratic Party.

Mr Kim agreed to join the government and give it a majority of parliamentary seats in return for a promise that he would receive the DLP presidential nomination this year. The constitution bans Mr Roh from standing for president again.

Mr Kim, who stood as an opposition presidential candidate in the last election in 1987, duly received the DLP nomination in May. But his recent actions have alienated Mr Roh and his supporters, including Mr Park, who constitute the majority faction in the DLP.

Critics have accused Mr Kim of becoming arrogant and pushy, placing his supporters in the top DLP positions in spite of his minority status within the party.

Mr Kim also angered Mr Roh last month by pressing him to appoint a new cabinet as part of an effort to improve his chances before the election.

Mr Kim was concerned that allegations of government vote-rigging in the parliamentary election last March might tarnish his image and he wanted a neutral caretaker cabinet to supervise the forthcoming poll.

But Mr Kim's demand backfired. While agreeing to a cabinet reshuffle, Mr Roh also resigned from the DLP in the name of electoral "fairness". Mr Roh's move was interpreted as a withdrawal of his support for Mr Kim.

This intensified factional squabbling within the DLP, culminating in Mr Park's departure over the weekend.

Mr Park may join a nascent political party being formed by Mr Lee Jong-chun, a popular Seoul MP who unsuccessfully stood against Mr Kim in the DLP presidential convention in May.

Mr Park has discouraged speculation that he would be the presidential candidate for the new political group. Instead, the nomination may be offered to Mr Kang Young-hoon, prime minister between 1988 and 1990 and now head of the South Korean Red Cross.



Kim Dae-jung: support firm

But there are doubts whether the new party can be organised in time for the election. This has prompted proposals that Mr Park and the other dissatisfied DLP members might merge their forces with Mr Chung and the UPP, which is a well-financed and established organisation with 31 seats in the 299-

member National Assembly. Co-operation between Mr Chung and Mr Park would bring together two of South Korea's most prominent industrialists and establish a precedent for business playing an independent role in Korean politics. Korean companies have traditionally accepted a subservient position to the government, financially supporting the ruling party in return for political favours.

Mr Chung broke that tradition by challenging the government with the formation of the UPP. The political revolt staged by Mr Park confirms that the nation's businessmen are aggressively seeking a more equal partnership with government.

Mr Park has reportedly met with Mr Chung at least three times recently to discuss a political alliance. But the former Posco chairman wants Mr Chung, who is now a distant third in the opinion polls, to step down in favour of another candidate. Mr Chung so far appears determined to remain the UPP candidate.

## Pik Botha tries to calm Savimbi

By Julian O'Connell in Luanda

MR PIK BOTHA, South Africa's foreign minister, arrived in Angola yesterday to join efforts to try to save the war-shattered country's fragile peace process.

Mr Botha's arrival came amid signs that the international community, led by the United Nations, is increasingly unable to keep a lid on tension between the government and Unita, the former South African and US-backed rebel movement.

Western observers hope that Pretoria, which backed Unita's guerrilla war with South African troops and weapons between 1975 and 1990, may be able to exert some influence on Mr Jonas Savimbi, the hard-line, egotistical rebel chief. They say that the key to Angola's future depends on what Mr Savimbi really wants - a question no-one seems able to answer.

Unita has alleged fraud in the country's first democratic elections last month and has made veiled threats to return

the country to civil war. The elections were won by the MPLA government and President José Eduardo dos Santos. Yesterday Mr Elias Salupeto Pena, one of the most senior Unita officials, warned that if the government published official election results, expected today, it would amount to a declaration of war. He demanded that the elections be annulled.

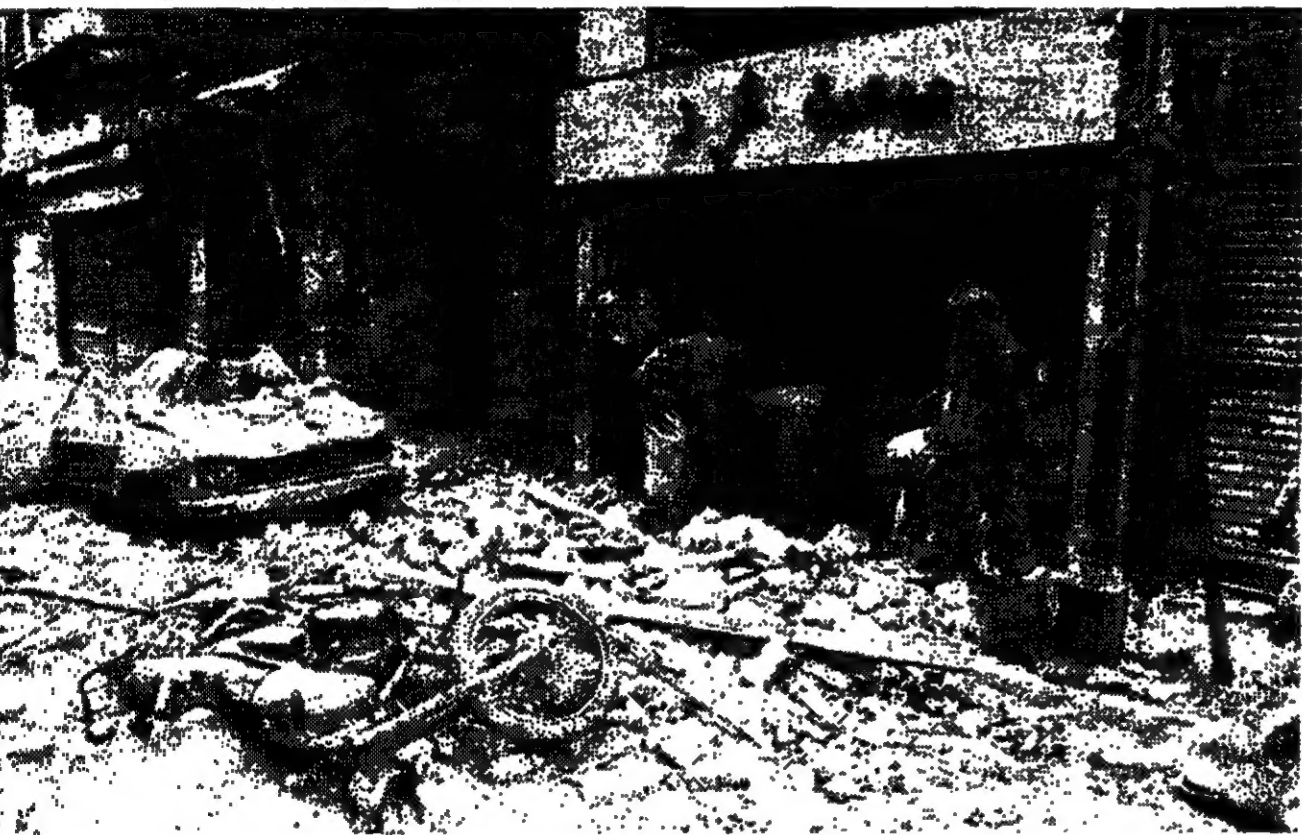
An investigation of Unita's allegations of fraud is nearing completion but officials say they have found evidence only

of incompetence. Many observers believe Mr Savimbi is using the fraud allegations either as a bargaining position to get a transitional government of national unity in his favour or as a pretext to buy time and prepare a military strategy which would almost certainly split the huge country.

Mr Botha said yesterday that no-one could create miracles but he had come to listen to both sides to try and find common ground between the interests of peace and economic co-operation in the

southern African region. Mr Botha, who will meet both President dos Santos and Mr Savimbi today, arrived 24 hours after shooting in Luanda left at least four people dead. Unita soldiers pounded an area of downtown Luanda with machine-gun fire, mortar shells and grenades in a half-hour barrage.

The rebel group opened fire after a bomb exploded near a hotel they used as a base and two men in an unmarked car shot and wounded two Unita guards.



## OVER 241 DIE AS EARTHQUAKE ROCKS EGYPTIAN CAPITAL

Men sift through the debris of their Cairo shop yesterday as a strong earthquake rocked the Egyptian capital. Cairo television broadcast an urgent appeal for doctors after collapsing buildings left at least 241 people dead and 2,000 injured, Tony

Walker reports from Cairo.

The earthquake, which struck soon after 4pm local time, was Cairo's most severe earth tremor for more than 30 years.

Experts at the US Geological Survey reported the tremor at around 5.9 on the

Richter scale - strong enough to damage a city extensively.

Reuters news agency quoted a fire brigade chief as saying that a fire broke out in Cairo's densely populated poorer areas had collapsed.

## Talks with Inkatha soon, says de Klerk

By Patti Waldmeir in Cape Town

SOUTH AFRICAN government officials will meet the mainly Zulu Inkatha Freedom party within a fortnight, President F.W. de Klerk, said yesterday. This removes one of the most serious obstacles to resuming multiparty talks on a new constitution.

Delivering a "state of the nation" address to a special session of parliament, he stressed his determination to proceed with constitutional negotiations with the African National Congress and other parties, including Inkatha which suspended talks with the government two weeks ago.

He lashed out, however, at the ANC shortly after thousands of its protesters surrounded the parliament building. He demanded that the organisation scale down its campaign of mass action which he blames for exacerbating political violence in the country.

The ANC demonstration, called to protest at the continued exclusion of blacks from parliament and at government plans to amnesty police and army officers, was much smaller than expected. Only about 5,000 took part, organisers had expected 25,000.

The crowd, which formed a human chain around the parliament building, were addressed by ANC leaders who condemned government plans to introduce legislation in parliament within the next 10 days to amnesty security force officers who committed crimes under apartheid.

Mr de Klerk outlined principles on which he demanded agreement before an interim constitution could be agreed, including devolution of power to regional and local governments, multi-party power sharing at the executive level of government, and a bicameral legislature to protect special interests. The ANC and government positions on all of these issues remain sharply at odds.

## Spotlight on Johannesburg illegal share dealings

## Ex-securities firm chief faces R10m fraud charges

By Philip Gawith in Johannesburg

THE extent of illegal share dealings on the Johannesburg Stock Exchange (JSE) comes under the spotlight today in the Rand Supreme Court with the start of one of the most widely publicised securities cases in years.

Mr Greg Blank, then a director of one of the largest firms on the JSE, Frankel Max Polak Vinderline (Frankels), is being charged with 48 counts of fraud, allegedly involving an illegal gain of about R10m (\$3.6m). There is no precedent in South Africa for a JSE member being charged for irregular dealings on such a large scale.

Lack of convictions for securities offences in the past has led to speculation, fiercely denied by the JSE authorities, that illegal trading is widespread. They will be hoping that, should Mr Blank be found guilty, a stiff sentence will be handed down which will help dispel suspicions about the JSE, justified or not.

Mr Blank's conspicuously wealthy lifestyle has also focused attention on the case, as has the fact that his alleged accomplices occupied senior positions at the Old Mutual, South Africa's largest insurance company. Mr Blank was the person responsible for Old Mutual's dealings with Fran-

kels. The bulk of the charges relate to the practice known as "front-running". It is alleged that, between 1989 and 1991, Mr Blank, in collaboration with his three accomplices at the Old Mutual - two portfolio managers and the chief trader - bought numerous lines of stock for the account of a company in which they were joint beneficiaries.

Once a sufficient quantity of the particular share had been accumulated, and the share had reached a particular price, it would be sold to the Old Mutual, normally within two to four weeks. The profit from these sales, allegedly, accrued to the syndicate.

## Sabah tries to flex its muscles

Kieran Cooke looks at the worsening stand-off with Kuala Lumpur

IT takes two-and-a-half hours to fly from mainland Malaysia to Sabah in the far north of the island of Borneo, almost as long as the flight from Kuala Lumpur to Hong Kong.

Sabah is the most far-flung state in the Malaysian Federation and has always had a large degree of independence from the federal government authorities in Kuala Lumpur.

But trouble is brewing in what the early explorers called "The Land Below the Wind". The government of Dr Mahathir Mohamad, the Malaysian prime minister, accuses Sabah's leaders of plotting to take Sabah out of the Malaysian Federation.

Several people, including the brother of Sabah's chief minister, have been locked up. The chief minister himself is fighting petty corruption charges brought by the Malaysian public prosecutor.

The origins of the present stand-off between Kuala Lumpur and the authorities in Kota Kinabalu, the capital of Sabah, go back to the last Malaysian national elections in late 1990. A few days before polling the ruling Parti Bersatu Sabah (PBS) in Sabah decided to pull out of Dr Mahathir's National Front government.

"We felt the opposition offered more to Sabah than the National Front," says Mr Joseph Pairin Kitingan, leader of the PBS and Sabah's chief minister. The opposition also looked at the time as if it would win. In the event Dr Mahathir's National Front government was returned to power, though the PBS

retained its control in Sabah. Since that election relations between Kuala Lumpur and Kota Kinabalu have gone from bad to worse. "These people," says Dr Mahathir of Mr Pairin and the PBS, "have no principle, or any commitment at all."

The PBS says Kuala Lumpur has cut off much needed development funding. While much of the rest of the Malaysia is fast industrialising, Sabah is stagnating.

"I feel," says Mr Pairin, "like a man under siege." Mr Pairin insists the PBS has no wish to take Sabah out of the Malaysian Federation, nor does he seek a confrontation with Dr Mahathir.

"We want good relations with the federal government," says Mr Pairin, "but Kuala Lumpur has a responsibility to develop the country as a whole."

It should not matter whether the PBS is in power in Sabah or not.

Race and religion as well as politics are involved in the conflict between Kuala Lumpur and Sabah.

Dr Mahathir's National Front government is dominated by the United Malays National Organisation (UMNO), the main party of the Muslim Malays. Sabah has a population of only 1.7m. More than 50 ethnic groups plus

many hundreds of thousands of immigrants from the Philippines and Indonesia make it one of the world's more colourful cultural crossroads.

Whereas politics on the Malay peninsula has tended to be split down racial and religious lines, Sabah has a more pluralistic political tradition.

While Sabah was a member of the National Front government, Kuala Lumpur left its politicians alone. But now UMNO is using its considerable financial resources to organise in Sabah. The PBS, many of

whose senior members are Christians, says UMNO is recruiting Muslim immigrants into its ranks. It says UMNO's arrival in Sabah is divisive and threatens the state's racial and religious harmony.

Mrs Dayang Mahani, a native of Sabah and an UMNO supporter, disagrees. "The PBS has caused the disharmony. We need UMNO here so as to restore relations with the federal government and make sure Sabah shares in Malaysia's economic progress."

Local businesspeople are also concerned that the state is falling behind the rest of the country. Sabah, with its abundance of natural resources including timber and offshore oil deposits, was once one of the richest states in the Malaysian federation. Now it is one of the poorest. Power costs twice as much in Sabah as it does in peninsular Malaysia.

The PBS accuses the federal authorities of doing nothing to encourage foreign investors into Sabah while the big domestic concerns - many of whom have connections with the governing political parties - will not risk official disavowal by investing in the state.

There were many in Sabah who objected to the state joining the rest of Malaysia nearly 30 years ago. Over the intervening period both Indonesia and the Philippines have launched claims to the state. Now Dr Mahathir is determined once and for all to claim Sabah for his UMNO party. "The Land Below the Wind" will be buffeted by some strong political storms over the coming months.



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## LDP 'godfather' urged to resign over gang links

By Robert Thomson in Tokyo

THE disgraced "godfather" of the ruling Liberal Democratic Party, Mr Shih Kanemaru, was yesterday urged to resign from parliament by a senior member of his own party, Mr Taku Yamasaki, the construction minister.

The call was ignored by Mr Kanemaru, leader of the LDP's largest faction and centre of a controversy over his violation of a political funds law and his links to gangsters.

Mr Kanemaru was recently fined ¥200,000 (US\$5) for illegally receiving ¥500m in donations from a parcel delivery company.

Mr Yamasaki, a member of a separate LDP faction, said Mr Kanemaru must resign because the gang links had undermined his reputation. The "godfather" is said to have used those links in an attempt to persuade extreme-right wing groups to stop protesting against LDP leaders in recent years.

Mr Yamasaki was criticised by other government officials for publicly urging the resignation, but the affair reflects continuing tension in the LDP over sustained public criticism of Mr Kanemaru. Heads of four business organisations, including the Federation of Economic

Organisations (Keidanren), have also demanded that Mr Kanemaru give up his parliamentary seat.

Mr Kanemaru has been confident that he can ride out the criticism, but the controversy has forced him to keep a low profile. Public prosecutors, who announced that their investigation into illegal donations to politicians was over, have felt a need to respond to the continuing protests.

They said yesterday that investigations into the ¥500m in donations may be re-opened, raising the possibility that some of the 60 politicians who later received a share of the money could be questioned.

Meanwhile, Mr Kanemaru's faction has settled a few of its internal differences by announcing a new structure in which some power is transferred to groups opposed to Mr Kanemaru's chosen successor, Mr Ichiro Ozawa.

The appointment of two new deputy chairmen within the faction is likely to lessen the influence of Mr Ozawa, one of the more outward-looking of Japan's leading politicians. The new power-sharing arrangement could weaken the ability of the faction and the LDP to decide on new policies, both domestic and foreign.

## Individual payment defaults rise 63%

JAPAN'S banks yesterday reported a sharp increase in individual payment defaults, with 171,613 cases in the first eight months, up 63 per cent on the same period last year, writes Robert Thomson.

The figures are generally interpreted as an indicator of personal bankruptcies, and the rise this year continues a trend begun in 1989, when the number of cases rose 29 per cent. In 1990, after the collapse of stock prices, cases rose 54 per cent.

The Federation of Bankers' Associations of Japan said the increase this year was linked

to the continuing weakness of stock prices and a rise in credit card delinquency.

Individual Japanese are generally thought to have weathered successfully the economic downturn, but the banks say rates of borrowing compared with net income have increased sharply, while over-time earnings have fallen.

A continuing surge in individual bankruptcies suggests consumers are more burdened by debt than the Economic Planning Agency has reckoned, and are less able to lead an economic recovery.

## Island row halts Iranian hands of friendship

The dispute over sovereignty of Abu Musa has poisoned relations in the Gulf, writes Cherry Mostesher

THE DISPUTE between Iran and the United Arab Emirates (UAE) over control of the small Gulf island of Abu Musa has shaken the region's recent calm and handed an unexpected victory to hardliners opposed to the policies of Mr Ali Akbar Hashemi Rafsanjani, Iran's president.

Three years of policies aimed at improving Iran's relations with its Arab neighbours have been undone in less than a month - and hardliners, ousted from power in the May elections to the country's assembly, are saying "we told you so".

The issue of who has sovereignty over the island, in the south-eastern Gulf, has also raised wider antipathies. Iran's old opponents in the region, such as Egypt, as well as some it has acquired more recently, most significantly Algeria, have come out in support of the claims of Sharjah, one of the seven city states which make up the United Arab Emirates, to the island.

Both the Gulf Co-operation Council (Saudi Arabia, the UAE, Oman, Kuwait, Bahrain and Qatar) and the 21-member Arab League have condemned Iranian "aggression" over Abu Musa.

Two months ago Iran was set to restore diplomatic ties with Egypt. But Iranian hardliners are claiming that a recent statement by Mr Amr Moussa,

the Egyptian foreign minister, that the Arab countries must not give in to Iran, proves they were right to warn against the liaison. Iran and Sharjah agreed to share the island under an agreement signed in 1971 which gave Iran control over security and permitted an Iranian garrison on the island, while giving Sharjah sovereignty. The dispute now centres on claims that Iran is using its control of security to take over sovereignty.

Abu Musa and the flanking islands of Lesser and Greater Tumb, also under Iranian control but disputed by the UAE, form a strategically vital triangle at the mouth of the Straits of Hormuz at the entry of the Gulf.

Despite President Rafsanjani's protestations in mid-September that his government's "hands are ready to press hands of co-operation and friendship in the region", Tehran appears to be using the Abu Musa dispute to show the GCC there can be no security in the region without Iran.

Iran has, in particular, been aggrieved that the attempts by the GCC states, Egypt and Syria, to forge a regional defence structure out of the post Gulf war Damascus Declaration, little though they have so far come to, have been made without attempts formally to include Tehran.

Tensions over the island have been growing for eight



President Rafsanjani: hardliners have won a victory against his policies of co-operation in the Gulf

months, since Iran refused to allow a boat carrying Sharjah nationals to land at Abu Musa.

Saalam, a daily newspaper which reflects the views of the Iranian hardliners, has called for a reduction in the level of the Iranian mission in Abu Dhabi and restrictions on trade with "the sheikdoms supporting hostile policies".

A report last week by AFP, the French news agency, quoting diplomats in the UAE as saying that "Iran has no alternative but to leave the three

islands," provoked Iranian officials to break with the reconciliatory tones adopted. Mr Khamel Kharazi, Iran's representative to the UN, and Mr Morteza Sarmadi, the foreign office spokesman, both claimed that all three islands belonged to Iran.

Mr Javan Larjani, a senior foreign policy official and member of the Supreme National Security Council, then used last week's Friday prayer service to issue a warning to his Arab neighbours. Mr

Larjani said policies adopted by the Arab Gulf states would lead them to "destruction". He said: "Experience has proved that Islamic Iran will not allow aggression against its territorial integrity."

He also discounted claims by the UAE to have an historic right to the islands, saying that few of the present Gulf states existed 70 years ago, while Iran has a history of more than 2,500 years.

While the politicians and negotiators talked of peace in

Abu Dhabi, where the two sides met inconclusively late last month to seek a solution to the row, several Iranian military chiefs have been using more belligerent tones. Mr Mohsen Rezaei, commander of the Revolutionary Guard, last week told his troops that if diplomatic means failed "we are ready to protect our territory". General Sattari, head of the Iranian air force, said that if any aircraft took off against Iran, his men would be ready to defend Iran's soil.

But Iran's newly assertive policy over Abu Musa is also thought to reflect domestic pressures in the country. A political analyst in Tehran explained: "Iran is having trouble in her economic policies. This is already putting pressure on the government. The government therefore cannot afford to give up an inch of what the people see as Iranian land. It could have a devastating effect internally."

What is certain in all the confusion, is that Iran will not move on the territorial issue. Loss now and the country fears condemning itself to the second tier in the power structures of the region. More than friends, more than trade deals and more than international goodwill, Iran believes it must re-establish itself as a power to be reckoned with in the Gulf, the Middle East and the Moslem world. Abu Musa appears to be round one in the process.

## South Korean TV makers take a bold grip on Europe

By Michio Nakamoto

THE small French town of Fameck near the Luxembourg border recently became the site of Europe's third South Korean television manufacturing plant when Daewoo Electronics, the electronics subsidiary of South Korea's Daewoo Group, opened its \$30m factory.

Samsung started TV production for the European market in Billingham on Teesside a few months ago and Goldstar has opened a factory in Germany.

The added capacity to European TV production comes at a time when the European industry is experiencing some of the most difficult trading conditions in recent history. Television

manufacturers throughout Europe have been under intense pressure as recession has slashed demand and prices have fallen.

"The market is basically flat in Europe," says a representative at Philips, the largest manufacturer in Europe, which dominates the market together with Grundig, the German manufacturer in which it owns a controlling stake.

Television sales in Europe declined 2 per cent from 22.5m units in 1990 to 22.1m units last year, while in terms of sales value the drop was greater at 6 per cent from Ecu8.49bn (\$11.88bn) to Ecu7.99bn.

The television division of Grundig, which has a strong base in Germany, is expected to be one of the most

affected by the group's decision to cut its overall workforce by 3,000. It has already closed a TV factory in Barcelona.

Ferguson, which is owned by Thomson Consumer Electronics, closed a television factory in the UK last autumn. Philips introduced short-time working in the first half of this year, although its plants are back to capacity now. Nokia, the Finnish group, expects to ship just 1m television sets out of a total capacity of up to 2m.

The Japanese manufacturers which set up in the UK have also been hurt. Panasonic, which has a television manufacturing plant in Wales with a capacity of 1.5m units a year, announced last month that it was moving to a four-day working week.

Unruffled by the climate in Europe, South Korean manufacturers have steadily built up a presence with Samsung claiming brand leadership in the 30-inch colour television market in the UK. "Our strategy is to develop a local business," says Mr Matthew Simmons, marketing manager at Samsung in the UK.

Mr Chan Jong Lee, deputy general manager for electronics at Daewoo, echoes his sentiments. "In order to sell in local markets it is better to manufacture locally. We are doing this with the European people," he says.

Both Daewoo's new factory, which will be producing sets ranging from 14 to 33 inches, and Samsung's factory in the UK, have a manufacturing capacity

of 500,000 sets each. Compared with the European market of over 20m units sold in a year, that may be a "pin prick" as one of the leading European manufacturers said. The European manufacturers also enjoy strong brand loyalty in markets such as Germany and France.

However, the South Korean presence in Europe will doubtless intensify competition in a market where European manufacturers are already feeling the heat from Japanese manufacturers.

"In terms of brand share development, the overall positioning of European manufacturers has slightly decreased over recent years," according to BIS Strategic Decisions, the market consultants.



Hans van Oosterom, Executive Vice President Strategic Planning Akzo

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## NEWS: WORLD TRADE

## US and EC fail to break Gatt deadlock

By Lionel Barber, David Gardner and David Dodwell in Brussels

US and EC negotiations to break a 20-month deadlock in the Uruguay Round of trade reform talks stalled last night in Brussels amid intensive lobbying by French and US farm

organisations. Both sides claimed in a joint statement that "it was good progress and we narrowed the gap" particularly on the most contentious issue of subsidised farm trade.

Meetings on technical details continued last night but the main negotiators on both sides

have suspended talks for the time being. Mrs Carla Hills, the US trade representative, and Mr Frans Andriessen, the EC external affairs commissioner, are to meet at the weekend in Toronto in the margins of the "Quad" summit of ministers from the US, EC, Canada and Japan.

Mr Ray MacSharry, the EC farm commissioner, and Mr Ed Madigan, the US agriculture secretary, also plan to meet as soon as the technical work by officials on various scenarios for cutting back the value and volume of subsidised farm exports is completed.

The failure to achieve a

breakthrough at Brussels comes as a disappointment after expectations had been raised over the past week. Because of the impending US presidential election, the talks had been seen as the last chance this year to reach a settlement in the Gatt round.

French farmers stand to lose most in the EC if the Community accepts US demands for substantial cuts in subsidised exports volumes. Mr Jacques Delors, European Commission president, has warned of the danger of a political backlash in France. Last week, he said Paris might boycott meetings of the Council of Ministers.

## So close together yet so far apart

By David Gardner in Brussels



"THERE have been more near-misses on this than Bosnia cease-fires," a senior US diplomat observed recently. He wondered how it was that while the EC and US share an interest in concluding Gatt's Uruguay Round world trade talks and are seemingly near in their positions, they are still separated by what each sees as vital national interests.

On subsidies to farmers, which has held up agreement since the Uruguay Round summit collapsed in Brussels in December 1990, the US, EC and other leading agri-exporters are trying to position them-

selves in export markets, especially cereals. France threatened to pull out of next Friday's EC summit in Birmingham if the latest EC-US talks in Brussels gave away to the US too much of its food exporting "vocation".

As the EC's agricultural superpower, France has concentrated its attack on a Gatt provision to cut subsidised food exports 24 per cent on all products. This would be a blow to its wheat trade, the most sensitive commodity for the US alongside soy beans, on which it is conducting a parallel row with the EC. The need to cut subsidised exports, contained in the Round's "final act" which Gatt drew up last December, is separate to, and on top of, a 36 per cent cut in money paid out on export subsidies. At July's Group of Seven summit, the UK proposed export volume be cut

by 21, not 24 per cent. Mr Ray MacSharry, EC agriculture commissioner, has pushed for "aggregation" or flexibility in farm sectors. This way the EC could export more wheat, for instance, if it sold less barley abroad, provided overall cuts in grain exports reached the target. The full 24 per cent cut, if it contains this flexibility, is a much better deal for the EC than a far lower cut without it.

The US knows this, and that the reform of the EC's Common Agricultural Policy (CAP), agreed in May, will cut European wheat prices to near world market levels. The real difference between the two sides on export volume is about competition, and French wheat is very competitive. If May's CAP reform had cut guaranteed prices a bit further, export subsidies would have been scrapped well within the

life of any Round agreement, and the US would have been hard pressed to seek restraints on EC exporters. France would have been the main beneficiary from a slightly bigger cut.

The second big difference to be resolved is for how long EC compensation payments to farmers for the CAP reform price cuts will be exempt from reductions prescribed by Gatt. Mr MacSharry wants indefinite exemption, because the payments are compensation for price cuts and production cuts. The US, if the cuts in output are formalised, is ready to exempt the payments for only six years. It was thought Mr MacSharry might relent if these payments do cut output and reduce trade tensions, they should be exempt in the next round of cuts.

● MacSharry (right): flexible



## Two months' work needed Services add to the impasse

By Frances Williams in Geneva

IF the US and EC eventually reach an accord, at least two months' work will be required by negotiators in Geneva before the 108-nation Uruguay Round can be completed. Other outstanding issues include:

■ **Agriculture:** Japan and South Korea want to maintain their rice import bans. They, and some other countries with supply management systems, oppose draft proposals for minimum market access and conversion of all import restrictions to tariffs.

■ **Market access:** An EC/US deal would set the framework for other country-by-country talks. But any accord on zero-tariff sectors would have to be agreed with others and there would have to be bilateral talks on products not covered by the US/EC bargain.

■ **Dispute settlement:** Many developing countries want a formal commitment from the US not to use its powers of unilateral retaliation in return for a strengthened multilateral dispute settlement procedure.

wrangle between the US and EC is settled in Brussels, Washington will still be pushing for changes to the draft intellectual property agreement to give greater protection for pharmaceutical patents in developing countries.

■ **Services:** The US and EC are not satisfied with offers from many developing countries to liberalise their services sectors, especially in financial services. The US wants better offers on basic telecommunications from almost all trading partners.

■ **Multilateral Trade Organisation:** Negotiators are under pressure from environmental groups to make the MTO "greener" and are still wrangling over details of this proposed umbrella body for Gatt and the new agreements on services and intellectual property.

■ **Dispute settlement:** Many developing countries want a formal commitment from the US not to use its powers of unilateral retaliation in return for a strengthened multilateral dispute settlement procedure.

By David Dodwell in Brussels

THE decision of US and EC negotiators to embrace disputes over trade in services and on market access in their meetings over the past two days in Brussels may have demonstrated earnestness of intent, but may have added to the problems of breaking the Uruguay Round deadlock.

Little progress has been made in settling disputes on services and market access, largely because Geneva-based negotiators have been unwilling to budge until the US and the EC reveal their hands on farm trade. For many developing countries, concessions from the US and the EC on farm trade are essential before they

table any offers.

A vicious circle has developed as the US has in turn refused to table its own position without offers from the EC and developing countries.

A storm blew up when the US threatened to withdraw telecommunications, financial services and transport, especially maritime services, from any offer it might make on services trade. Since these were for many countries the only services areas of interest in the US market, the motive for continuing serious talks evaporated.

For the EC, a critical US concession on services would be a willingness to re-table telecommunications, financial services and maritime services. It is

understood that fresh openings on financial services have been discussed, but headway on maritime services has been seen as unlikely.

Telecommunications concessions are unlikely until the EC can agree terms for liberalising its internal market. On market access, the EC is urging the US to attack its peak tariffs, especially in textiles, chemical dyestuffs, and ceramics. The US wants the EC to agree to scrap some tariffs that are already low, and harmonise downwards tariffs on chemicals, non-ferrous metals and fisheries. Progress here is hampered less by EC-US differences than by awareness that mutual concessions need to be matched by other countries.

## Airbus scales back output growth rates

By Paul Betts, Aerospace Correspondent

AIRBUS Industrie is scaling back its output growth rates for the next three years in response to the continued depressed state of the civil airline market. The consortium is expected to delay the launch of a new 125-seater airliner, the A319, a shortened derivative of the 150 seater A320 aircraft, until later next year.

Airbus output will grow from 161 airliners this year to 180 aircraft in 1995 against an earlier target of 220 for 1995. Production will average 14.5 airliners a month next year, up from about 16 a month in 1994, with a further increase expected in 1995, but lower than the original plan to build 21-22 aircraft a month then. An Airbus official stressed the latest revision was not a production cut, but a reduction in estimated output growth rate. The latest cuts are the third downward revision in A320 production schedules.

Airbus has sought to play down production cuts in an effort not to undermine market confidence. It constantly monitors the market and adapts its production schedules accordingly. Like other manufacturers, Airbus has been forced to modify its schedules to meet demands from financially pressed customers to postpone

some deliveries. Boeing has cut output of its 737 twin-engine aircraft from 21 to 14 a month this autumn and has announced plans to reduce 757 production from seven to 8.5 airliners a month from September 1993. The latest cuts in Airbus production rates were announced on the eve of the roll-out of the consortium's latest widebody, the A330 twin-engine airliner, in Toulouse tomorrow, expected to be a low-key event, reflecting the general state of the airline market.

Airbus, whose partners include Aerospatiale of France (37.9 per cent), Deutsche Aerospace of Germany (37.9 per cent), British Aerospace (20 per cent) and Casa of Spain (4.2 per cent), said the latest plans envisaged a minimum production of 30 a year during 1993-95. A300/A310 output this year is expected to total 47 aircraft.

Output of A320/A321 narrow-body airliners will average 80-90 a year during 1993-95. Production of the new A330/A340 family is expected to increase gradually from the present two airliners a month to seven a month by the end of 1995. Airbus had planned to launch the A319, the shortened version of the A320 this year. But the programme is unlikely to take shape until next year.

## SIA considers moving departments to India

By Daniel Green in Singapore

SINGAPORE Airlines (SIA) is considering transferring accountancy and computer departments to India to cut labour costs. The move would echo Swissair's shifting its accounts department to Bombay this year; SIA and Swissair have 5 per cent stakes in each other as part of a triple alliance with the US carrier Delta.

SIA is studying Swissair's experience and said yesterday problems such as software compatibility had to be overcome. Other low-cost countries including China were possible sites, especially for data processing, SIA said.

The airline is also facing rising staff costs because of Singapore's labour shortage.

Mr J.Y. Pillay, chairman, said yesterday he did not expect resistance from the company's staff.

The shortages are also forcing SIA to consider recruiting cabin crew from countries such as Malaysia and Indonesia. "We plan 8-10 per cent annual growth a year until the end of the century," Mr Cheong Choon Keng, managing director, said. This would entail doubling the fleet and cabin staff.

SIA is considering raising the salaries of female cabin crew. New female cabin crew recruits earn about \$82,000 (\$787 a month). SIA has set up a pilot training school, but is still several years away from having all its co-pilots as Singapore citizens.

## Malaysia hits at Austria move on timber imports

By Kieran Cooke in Singapore

COUNTRIES of the Association of South-East Asian Nations (Malaysia, Indonesia, Singapore, Thailand, the Philippines and Brunei) have expressed their concern about a recent move by Austria imposing mandatory labelling on all tropical timber imports.

Mr Sanusi Junid, Malaysia's agriculture minister, said the Austrian action went against the spirit and content of an agreement reached at the Earth Summit in Rio on the management, conservation and sustainable development of all types of forests.

Asean took a serious view of

the Austrian action, he added. It had agreed to adopt a common stand on the issue, to dissuade other countries from making similar moves against tropical timber products. "We are of the opinion that if such action is to be imposed, it should also involve temperate timber."

Malaysia, the world's leading exporter of tropical timber, has been at the forefront of a campaign aimed at countering concern about continued logging in the tropical rain forests.

It says much of the developed world's criticism about forestry management in Malaysia and other countries is ill informed.

## Algerians sign gas deal with Italy

By Francis Ghilès

SONATRACH, Algeria's state oil and gas monopoly, has signed a 20-year contract with the Italian state electricity company ENEL whereby Sonatrach will deliver 4bn cubic metres of gas a year starting in 1995. The gas will go through the trans-Mediterranean pipeline which takes gas to the Italian mainland through Tunisia and the Straits of Sicily, and whose capacity is being doubled.

The contract means Sonatrach will more than double its exports to Italy by the year 2000, to 30bn cubic metres a year. Mr Franco Viezzoli, president of ENEL, has signalled his company's wish to start immediate talks on doubling the amount it has contracted to buy. Gas now accounts for about 19 per cent of Italy's electricity, a figure set to rise 50 per cent by the year 2000.

The contract with ENEL

underlines the advantages for Sonatrach of the more flexible oil and gas policy adopted by Algeria since 1988. Selling gas for electricity generation is a competitive business if compared with the more rigid liquefied natural gas trade.

Sonatrach hopes to double its gas output over the next few years as demand abroad has outstripped the company's capacity to deliver. Mr Hocem Mufti, Algeria's energy minister, has indicated Algeria will allow oil companies negotiating for enhanced oilfield recovery schemes the option of acquiring equity sharing in some oilfields.

Premier Belaid Abdessalam appears to attach less importance than his predecessor, Mr Sid Ahmed Ghazali, to getting large front-end cash bonuses from companies sharing in such schemes, preferring to stress the importance of developing proper technical models to develop the fields.

## Advantage greatest in airlines, banking and telecoms

## US comes top in services output

By Guy de Jonquieres, Consumer Industries Editor

THE productivity of many large service industries is still higher in the US than in other leading industrialised countries, a study\* by McKinsey Global Institute, part of the management consultancy group, shows.

The study finds the US advantage is greatest in airlines, retail banking and telecommunications, where productivity is as much as twice the levels in other countries.

The study estimates that, despite official claims that liberalisation has made Britain's telecommunications industry more efficient, its total productivity was only 54 per cent of US levels in 1989 and also trailed Japan and France.

However, Germany is close to US productivity levels in retailing, while in full service restaurants France was the world leader. Productivity in fast-food restaurants varied little between countries.

The study, based on a year-long research project, concludes that many of the most important variations in productivity are due to differences in

national regulatory systems and labour market policies.

In general, productivity was highest in those countries where policy encouraged competition and labour market flexibility. Fewer gains were to be achieved by applying advanced technology than by introducing efficient organisation and management.

The study compares recent international productivity records in five service industries. These are:

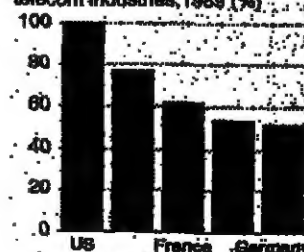
● **Airlines:** On a weighted average of six different measures, including ground handling as well as in-flight service, European productivity was only 72 per cent of US levels. The gap was smallest in airport handling and widest in ticketing, sales and promotion.

Though part of the US airlines' advantage reflected superior scale, geographic route structures and the mix of services demanded by the market, the biggest reason for their higher performance was efficient organisation of labour.

However, the study found that the "hub-and-spoke" route structure favoured by large US airlines since the industry was deregulated

## Services productivity

Total factor productivity\* in telecom industries, 1989 (%)



\*Average of labour and capital productivity weighted by cost structure of labour and capital. Source: McKinsey Institute.

reduced their productivity.

● **Retail banking:** Overall productivity in Britain and Germany was only two-thirds the level in the US. In Britain, the difference was blamed mainly on weak competition, and in Germany on the commercial banks' extensive networks of small branches.

The study found that US banks offered customer service in their branches comparable to the two other countries and had invested more heavily in information systems and automated teller machines.

● **Restaurants:** Though the

US ranked highest in terms of throughput per employee, France scored best in terms of value added per employee. The study found no clear explanation for these differences.

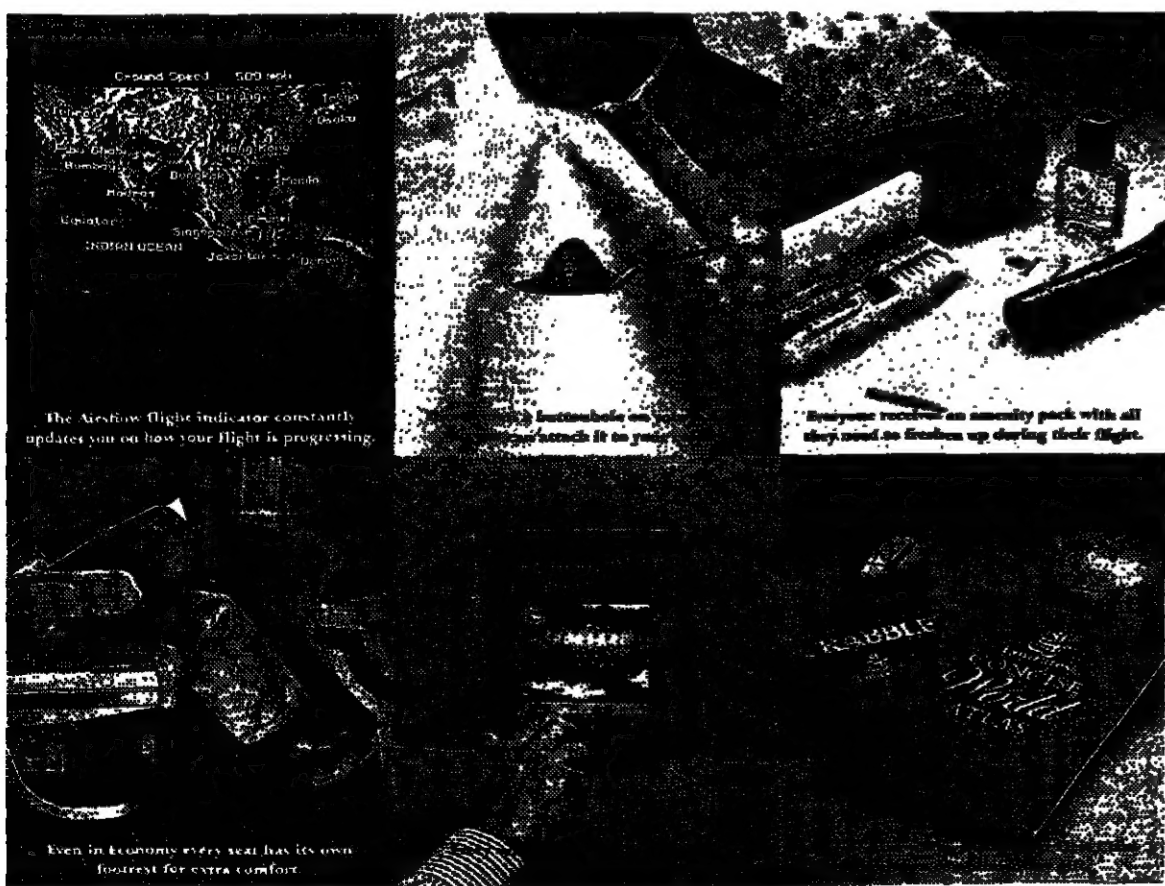
● **Retailing:** Overall US productivity was narrowly ahead of Germany and almost twice the level in Japan. Performance reflected the degree of concentration of the industry in each country, income levels and industry structure and organisation. However, property costs and scale economies were relatively unimportant.

● **Telecommunications:** The US advantage was largely due to superior capital productivity. US telephone networks handled four times more calls per dollar of investment than those in France and Germany, and twice as many as those in Britain.

France, Germany and Japan, achieved labour productivity close to US levels, though Britain's performance was only 58 per cent of the US. The study suggests British Telecom is heavily over-staffed.

\*Service Sector Productivity: McKinsey Global Institute, Washington DC.

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## NEWS: THE AMERICAS



On the line: Al Gore (left) and Dan Quayle (centre) have the most to gain or lose from the debate, while James Stockdale faces a baptism of fire  
US vice-presidential candidates enter debate intent on avoiding gaffes

## Deputies in election limelight



THREE US vice-presidential candidates will take to the stage in Atlanta tonight set on besting each other in political debate and, above all, avoiding any disastrous gaffes, writes George Graham in Washington.

It is safe to predict the most surprising candidate will be Mr James Stockdale, the retired admiral running alongside Texas independent Mr Ross Perot, because voters know almost nothing about him.

But the stakes are higher for Vice-President Dan Quayle and for Senator Al Gore, the Republican and Democratic candidates. Both men know their ability to help their respective running mates - President George Bush and Governor Bill Clinton - is less than their ability to hurt them.

Tonight's debate is particularly important for Mr Quayle, who has not yet managed to live down the unfavourable impression he made in his first national campaign in 1988.

Mr Quayle says he has gained experience during his four years as vice-president, but complains he is unfairly treated by reporters. "It's the

inability for us to get any kind of fair shake from the media that's been the most frustrating thing about this campaign," he told the New York Times.

Ironically, the vice-president stands to benefit from tonight's debate, as few viewers will expect a stellar performance. With a modicum of good luck Mr Quayle should be able to erase the memory of Senator Lloyd Bentsen's put-down in the 1988 vice-presidential debate after he injudiciously compared himself to President John Kennedy.

Yet Mr Quayle can be certain that any minor misstatement will be pounced on as further

evidence of an inability to remove his foot from his mouth.

On the Democratic side, Mr Gore has so impressed most spectators with his intelligence, his command of detail and his unfappability that he will be hard pressed to match expectation.

But, like Mr Clinton in Sunday's debate, Mr Gore need do no more than hold his own.

For Mr Stockdale the debate offers a baptism of fire in policy questions - ranging from health insurance to the spotted owl. An academic at the Hoover Institution, a conservative think-tank in California, he holds the distinction of being

possibly the first man in the last half century to have introduced the Greek Stoic philosopher Epictetus into American political discourse.

His principal topic of public conversation, besides the Stoics, has so far been his experience as the most senior US prisoner of war in Vietnam.

Few analysts expect Mr Stockdale to match his running mate's brand of humour and colourful phrasing, but he may do better on the details of the Perot platform. He says he has read the 117-page policy document, entitled "United We Stand," 10 times; this is widely believed to be 10 times more than Mr Perot himself.

## A changing Dr Jagan in a changing world

Canute James on Guyana's president with a past

WHEN Dr Cheddi Jagan, the new president of Guyana, joins his colleagues at a Caribbean Community summit in Trinidad in a fortnight, they will all be more than slightly anxious to discard some mutual reservations.

Over the past three years Dr Jagan has repeatedly prevailed on his Caricom colleagues to help correct what were widely held to be repeated irregularities in the process leading to elections in Guyana and which Dr Jagan claimed had kept the People's National Congress party of Mr Desmond Hoyte in office. Dr Jagan wanted Caricom to send a team of observers to monitor the elections.

The Caricom leaders were, largely, unmoved by Dr Jagan's appeals and did not send a mission to Guyana. In the event the Caricom presence at the elections was contained in a Commonwealth team. This, said functionaries of Dr Jagan's People's Progressive party, was because no Caricom leader wanted to upset Mr Hoyte. "Despite this, I will not hold it against the Caricom governments," said Dr Jagan.

Dr Jagan, a 74-year-old dentist and a former premier of Guyana, has said, rather, that strengthening ties with Guyana's colleagues in the Caribbean will be a foreign policy priority of his new government. Whatever reservations the Caricom members had about monitoring the elections, the new president will be welcomed by his colleagues.

Dr Jagan, once an avowed Marxist, has been a victim of the ideological sea change which has overtaken many third world leaders over the past decade. However, his move towards moderation and his recent advocacy of a market economy have alleviated concerns, held until recently by some of the more conservative Caricom leaders, that Dr Jagan was a closet communist.

The new president will also do well in mending fences with the US, which he describes as one of Guyana's "traditional

friends". In the administration of Mr Forbes Burnham, Mr Hoyte's predecessor in office, Washington found itself not easily able to decide who might be a better friend.

Mr Burnham's state capitalism, in the pursuit of "co-operative socialism", including the nationalisation of foreign property, was the alternative to Dr Jagan's Marxism in the days of the cold war. Mr Hoyte's volte face in economic policy in deregulating the economy and distancing himself from the economic and political excesses of Mr Burnham apparently only strengthened the appeal of the reformed Dr Jagan.

The Hoyte administration's revised policies were part of a structural adjustment programme agreed with the International Monetary Fund and the World Bank. Dr Jagan, in opposition, had attacked the government for implementing the programme, arguing that the measures were too harsh.

The PPP now says that it will try to modify the IMF pact. "We feel confident that the IMF can be persuaded to renegotiate the harsh conditions which have been imposed on the weak PNC administration," according to the party.

In taking over the government of the English-speaking republic of 900,000 people located on the north-east shoulder of South America, Dr Jagan faces three formidable challenges. The first is that he is in danger of being an anachronism. Dr Jagan last held political office 38 years ago, and since then has had to lead parliamentary opposition to the PNC. Much has changed in the world since, and old habits die hard.

The new president still speaks of his desire to act on behalf of the "working people", and an apparent objection to the sell-off of state enterprises and the involvement of foreign investors has had to be reversed and clarified by his advisers in the face of questions raised by foreign business.

Dr Jagan's second challenge is with the economy, which is based on sugar and rice production and bauxite and gold mining. In breaking the mould of state capitalism and in deregulating the economy, Mr Hoyte took the hard decisions. But the price paid by Guyanese has been high. A 64 per cent depreciation which followed the floating of the currency last year contributed to high inflation and reduced the standard of living of most Guyanese and led to increased emigration.

Foreign investors have looked favourably on Guyana, but Dr Jagan will need to encourage many more with significant amounts of money to rebuild the economy, which declined steadily until last year when it expanded by 6 per cent and grew by twice that rate in the first half of this year.

Guyanese voted largely along ethnic lines, with the PPP being supported by those of Indian origin, about 52 per cent of the population, and the PNC by those of African descent, about 38 per cent.

Dr Jagan has promised to work to end racial divisions, to begin with by appointing a multi-ethnic cabinet.

## IBM warns on chip chemicals

INTERNATIONAL Business Machines (IBM) said yesterday it had reduced the use of two chemicals used to make semiconductors which are suspected of causing miscarriages among women workers. Renter reports from Armonk, New York.

The company said the use of diethylene glycol dimethyl ether and ethylene glycol monomethyl ether acetate was cut by 40 per cent between 1989 and 1991. The two have not been incorporated into any newly developed chipmaking

processes, an IBM spokesman said.

According to a study by Johns Hopkins University that IBM commissioned, 10 of 30 women who worked with the chemicals at two IBM plants and then became pregnant had miscarriages.

IBM has told its own workers, all other semiconductor makers in the US, and its suppliers about the study.

Mr Jim Ruderman, a spokesman for the company, emphasised that the study's results were preliminary.

He said that the results to date did not establish a "direct link" between use of the chemicals and the miscarriages but showed a "preliminary link".

He added the number of miscarriages was small but statistically significant.

Mr Ruderman said IBM was "continuously finding advances" in semiconductor manufacturing processes, and "the environment that may have caused the miscarriages may or may not exist any more".

## Top Cuban ideologue dismissed over scandal

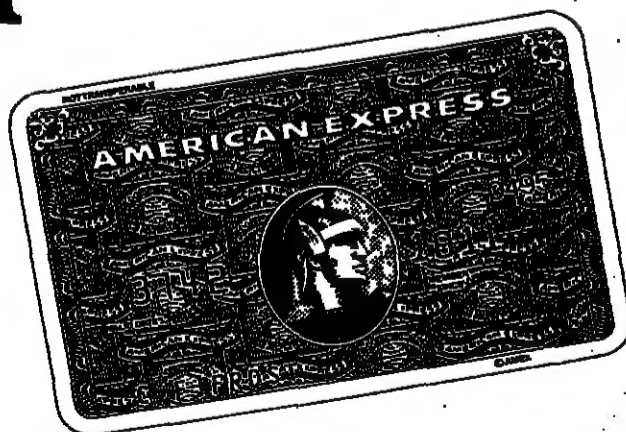
CUBA'S Communist party has broken its official silence on the sacking three weeks ago of Mr Carlos Aldana, the party's ideology and foreign relations chief, saying he was dismissed because of a financial scandal, writes Canute James in Kingston.

The party said Mr Aldana, who was also responsible for culture, science and sports, had accepted favours from a company director who had earlier been arrested for the eva-

sion of taxes and customs duties and for violating the country's strict foreign currency regulations.

The statement is an apparent attempt to end speculation that Mr Aldana, an adviser to President Fidel Castro and one of the architects of government policy, had been dismissed because he had argued for a moderation of economic policies, including a more tolerant attitude to private enterprise in some sectors.

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Agenda:

- 1 Acceptance of the Manager's and Auditor's reports and approval of the financial statements for the period from 1st July 1991 to 30th June 1992.
- 2 Distribution of final dividend.
- 3 Discharge of the Board of Directors and Auditor.
- 4 Election and re-election of Directors.
- 5 Re-election of Auditor.
- 6 Miscellaneous.

Voting:

Resolutions on the agenda of the annual general meeting will require a quorum and will be taken at the majority of the votes expressed by the shareholders present or represented at the meeting.

Voting Arrangements:

Shareholders who cannot attend the Meeting in person are invited to send a duly completed and signed proxy form to the registered office of the Company to arrive not later than 28th October 1992. Proxy forms will be sent to registered shareholders with a copy of this Notice and can also be obtained from the registered office.

29th September 1992

The Board of Directors

**FT**  
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## Ministers under attack as Lucas cuts 4,000 jobs

By Michael Cassell,  
Business Correspondent

THE jobs shake-out in British manufacturing continued yesterday as engineering employers accused the government of "ministerial paralysis" in failing to enact policies for lasting economic recovery.

Lucas Industries, one of the UK's largest engineering groups, meanwhile announced it was shedding at least 4,000 jobs - more than half of them outside Britain - over the next three years as part of a restructuring programme.

The company has already announced the closure of eight sites - none in the UK - and says a similar number of factories in unspecified locations are also likely to shut.

Lucas's restructuring takes place against a background of depressed automotive and aerospace markets, which the company says show only faint signs of revival.

The announcement coincided with the results of a survey by Remploy, which provides skilled workers under contract to manufacturing companies, which showed 300 UK manufacturing sites have closed in the last year, taking with them another 47,000 jobs.

There was harsh criticism from the Engineering Employers' Federation over the gov-

ernment's handling of the economy. Mr Neil Johnson, director-general, said engineering skills were going to waste in the recession, threatening Britain's longer-term ability to compete. He said the "vibrant core" of British engineering had not yet been dismantled but he attacked the government for having no clear vision on how to achieve recovery.

"A policy of waiting for something to turn up is demonstrably not going to provide the sort of positive results industry has the right to expect," he said. The DfT had until now offered "words rather than action".

The federation said the recession in engineering - which has cut total output by 13 per cent since 1989 and left more than 300,000 people unemployed - has bottomed out, six months later than first forecast. It warned that a further 55,000 engineering jobs could still be lost in the next year.

Engineering output in 1992 will have fallen, according to the federation, by more than 3 per cent on 1991. It is expected to increase by nearly 3 per cent in 1993, mainly because of a projected 10 per cent increase in motor vehicle output.

Lex, Page 20  
Lucas results, Page 21  
Background, Page 26

## Sterling fear hits lending

STERLING lending to the private sector was flat in the three months to August, but foreign currency lending dropped by 2 per cent, reflecting fears over the pound's position in the exchange rate mechanism, Emma Tucker writes.

An analysis of Bank lending in the second quarter, published by the Bank of England, reflects a depressed economy with a private sector reluctant to accumulate debt.

Foreign currency lending to the private sector by 2 per cent with growing concern that

sterling would have to devalue against the D-Mark.

The seasonally adjusted 2 per cent rise in lending to individuals was dominated by home loans. This rose by 2 per cent, prompted by the reimposition of stamp duty on August 20.

Business and other services recorded its fourth successive and biggest fall in sterling lending for five and half years in the three months to August.

The drop in lending for the private sector was partially offset by a 23 per cent increase in sterling lending to the energy and water industries.

## Devaluation undermines consumer confidence

By Emma Tucker,  
Economics Staff

UK CONSUMER confidence fell sharply in the three months leading up to Black Wednesday, when the government abandoned the European exchange rate mechanism and sterling was devalued.

After the steepest loss of confidence in any quarter for five years, Business Strategies Limited (BSL) - an economic consultancy - warned yesterday that the next four months were critical.

In its latest regional survey, carried out with the market research company Gallup, BSL said: "If consumers respond positively to sterling's departure from the ERM... then confidence may bounce back a little with beneficial effect for hopes of recovery. If, on the other hand, consumers remain depressed, then a double dip recession becomes a very real possibility."

According to the survey, the collapse in confidence wiped out increased optimism in the three months to July, especially in southern England.

Confidence in every region has dropped to the levels at the start of the recession.

In Scotland, for example, optimism about the economy is falling and concern about unemployment is rising. In Yorkshire and Humberside, optimism about the general economic situation has declined, reversing many of the gains apparent in the previous survey. In the north confidence plunged over the last three months.

Mr David Fell, principal economist with BSL said hopes of a recovery this year had evaporated.

Mr Fell said the south-east, which accounts for one-third of the UK economy, remained the key region. After three months of improving expectations, respondents now expect their financial situation to worsen over the next few months. Fewer consumers were managing to save than at any time since the regional results were collated almost four years ago.

Embattled chancellor of the exchequer denies receiving German devaluation requests

## Lamont refuses to admit blame for sterling crisis

Main points to emerge from Mr Lamont's meeting yesterday with the Commons' Treasury and Civil Service committee.

Events leading up to Black Wednesday. Mr Lamont said he had heard nothing since September 16 which pointed to an alternative to the exit from the ERM, due to currency pressures. Mr Lamont said sterling's central rate in the mechanism of DM2.93 was not too onerous for Britain.

ERM re-alignment. Mr Lamont said the government had received no request from German authorities in the week-end before Black Wednesday for the pound to realign.

Future membership of the ERM. Britain will re-enter "in due course" when various conditions are met, including monetary conditions in the UK and Germany being closer to align-

ment. It would be possible for Britain to ratify the Maastricht treaty on European integration, without having agreed to go back into the ERM.

Inflation. Inflation has to be kept at between 1 per cent and 4 per cent, measured by the year-on-year rate in the retail prices index, excluding mortgage interest payments.

Effects of sterling intervention. Mr Lamont admitted purchases of sterling by the Bank of England on Black Wednesday - estimated at up to £15bn - had a contractionary effect on the economy.

Monetary policy since Black Wednesday. Base rates have come down by 1 percentage point to 9 per cent, while there has been an effective devaluation of 10 per cent. The main economic effort would be concentrated on cutting inflation.

ERM fault lines. These had arisen in recent months because of the "unique" circumstances of German reunification which pushed up German rates, and the lack of symmetry between the economies of Germany and the US. That led to a strong D-Mark against the dollar, straining a number of ERM currencies, among them sterling.

There were technical aspects of ERM membership that could be usefully addressed, such as the rules related to when central banks should intervene to support currencies.

Forecasting. "Forecasts should be treated with caution and scepticism... no-one would like to see an (economic) recovery more than me". But there was a limit as to what governments could do to promote one.

## Chancellor criticises FT reports

AT THE hearing, Mr Norman Lamont criticised two reports in yesterday's Financial Times.

The first referred to a meeting on September 13 and said UK officials broached the possibility that sterling might devalue, along with the Italian lira. The second said Mr Lamont told officials to put a favourable gloss on projections for the UK's public-sector deficit, published a month before the April general election.

Mr Lamont was asked about both at the committee meeting: Mr Giles Radice (Labour MP) "There's a report in today's Financial Times which says 'it has emerged that during the September 13 meeting at the UK Treasury, British officials briefly broached the possibility that sterling could join in the Italian devaluation'."

"The issue was raised at the meeting by Sir Terry Burns, permanent secretary at the Treasury, as an option, according to UK officials, but any likelihood that sterling would follow the lira by devaluing was, however, immediately scotched by Mr Lamont."

"So clearly there was a possibility that there could have been a devaluation and you

were advised that there was a possibility by your officials, but you chose not to go down that route. Isn't that the case?" Mr Lamont: "No. That is not the case."

Mr Radice: "So it's wrong?"

Mr Lamont: "Well, I haven't actually had the benefit of reading that report."

Mr Radice: "You don't read the FT?"

Mr Lamont: "I sometimes read the FT, but I haven't currently been reading it and I certainly think that many of the things that it has written on these events are highly inaccurate and intended to be so. They seem to be extremely out to create a bit of problems here and there. Mr Chairman, I will only say that at the meeting on Sunday morning... I haven't read this article... so I don't know which meeting it is referring to."

In a later exchange:

Mr Brian Sedgmore (Labour): "Can you respond to the serious criticism in this morning's Financial Times that perhaps

neither this committee nor anybody else can take anything you say seriously on economic policy, because you are a dishonest person that gets

Treasury civil servants to fake economic projections and statistics for political purposes. I have the Financial Times here, if you would like to read it."

Mr Lamont: "That is not correct. I'm afraid that's why I responded rather sharply about the FT earlier, no doubt unfairly on the FT. All I will say about that is that it is a very misleading article."

"All forecasts are discussed between ministers and officials. The forecasts obviously take into account the views of ministers and other senior officials who are not directly involved in the technical process of running the Treasury model. The final published forecasts are the responsibility of ministers, they reflect all the judgments made in the course of these discussions."

"I think earlier on we sent this committee a memorandum in July of last year about how the forecast was drawn up and we stand by everything that was in that."

Last night the Treasury declined to elaborate on Mr Lamont's comments. Mr Richard Lambert, editor of the FT, said: "The paper stands by its reports."



Under pressure: Norman Lamont heads for parliament yesterday, where he faced intensive Treasury committee questioning



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## Five injured as bomb explodes in London

By Jimmy Burns and Ralph Atkins

FIVE people were injured, one seriously, when an IRA bomb exploded in the heart of London's West End yesterday.

The bomb which exploded at lunchtime in a pub in the Covent Garden area was the eighth to explode in London over the past week.

It followed a warning, described by police as "deliberately vague and confusing", to a radio station nine minutes earlier. The warning used a recognised IRA code-word and stated that the bomb had been placed in the "Leicester Square area", leaving police with little time to clear surrounding buildings.

An eyewitness said the blast appeared to have been caused by a bomb planted in a rubbish bin outside the pub.

Although the recent attacks have so far involved relatively small devices and caused few casualties, they have been marked by a constant shift in tactics aimed at stretching police resources while providing maximum publicity for the provisional Irish Republican Army (IRA), which is fighting against the deployment of British troops in Northern Ireland.

The bombing campaign coincides with cross-party talks on Northern Ireland's future which involve nationalist and Unionist leaders but excludes Sinn Féin, the political wing of the IRA.

The earlier attacks, including an explosion on Saturday outside Paddington Green tube station, were also seen as the IRA's response to the Tory party conference last week.

It was followed by an IRA statement which warned: "British military and political leaders should take this signal of our intentions seriously."

But with the blasts continuing there were fears of a new autumn offensive.

Last week a series of bombs also disrupted public transport.

Stricken company hopes Zurich Insurance could provide cover for local government

## Swiss group in rescue talks with MMI

By Richard Lapper

HOPES of a rescue bid for Municipal Mutual Insurance, the local government-owned insurance company, rose yesterday following an announcement that the stricken insurer is holding talks with Zurich Insurance, the Swiss company.

In a joint statement, the two companies said they were "in talks to provide on-going commercial insurance cover for local authorities".

No binding agreement has yet been reached. The companies would not say whether Zurich was offering to assume

MMI's existing insurance liabilities.

Municipal Mutual stopped underwriting new business late last month after earlier rescue talks with the Paris-based La Garantie Mutuelle des Fonctionnaires broke down.

MMI has been badly hit by an escalation of claims on its public and employers' liability business. Its losses in 1991 amounted to more than £200m. Zurich, the third biggest non-life insurer in Europe in 1991, has designated the UK as a strategically important market for expansion.

Its existing Portsmouth-

based subsidiary, which underwrites both life and general insurance business, ranked 20th in size in the general insurance market in 1990.

Mr Dennis White, chief executive of Zurich Insurance in the UK said: "There are still a number of issues, but subject to these being resolved we shall be able to offer insurance cover to local authorities on realistic terms before the year end."

Zurich would acquire "all necessary staff and systems from MMI, so that MMI insurance products and services can continue to be provided to

local authority customers", Mr White added.

It is also one of a number of companies discussing the provision with MMI of private car and home insurance for local authority employees and other MMI customers.

Mr Brian Wright, group chief executive of MMI, said that if the plans were successful "it would result in a large number of staff at Farnborough and in regional offices throughout the country continuing with their present jobs but as part of Zurich Insurance."

"It would be a very significant forward step in the solu-

tion of MMI's problems."

Local authority associations offered a cautious welcome to the development, but said they would "need to be satisfied that existing contracts with MMI would be honoured in full in any agreement between MMI and Zurich".

The authorities said they would need to examine "very carefully the treatment of claims arising under previous years' policies".

The Manufacturing Science and Finance Union, which represents 1,500 of MMI's 2,000 staff, also offered a "cautious and conditional welcome".

## Britain in brief



### Large-scale pit closures likely today

British Coal is expected to announce the closure of 26 pits today in a sweeping rationalisation plan involving the loss of thousands of jobs.

The closures represent over half British Coal's remaining 50 pits, and are part of the drastic reshaping necessary to prepare the company for privatisation. The closures will cost more than 20,000 jobs, one of the largest set of redundancies ever announced at one go. The government will try to soften the blow with promises of aid, though the prospects for this given the current state of the budget are slim.

### M&G director replaced

M&G, Britain's largest independent unit trust company, has replaced its marketing director in a move that signals a shift towards a more aggressive sales approach and a greater emphasis on products other than unit trusts.

Mr Tim Miller, who was also a main board member at M&G, will be succeeded by Mr Peter Emms, formerly executive director of marketing at Allied Dunbar, a life insurer which relies heavily on commission-only agents and has been known for an aggressive sales approach. M&G, which has always sold its products only through independent financial advisers, is now considering the establishment of a small direct sales force.

### Offer sought on Canary Wharf

Administrators of Canary Wharf, the financially troubled East London property development, have asked the government for more time to revise their offer of a contribu-

tion to the costs of building the underground Jubilee Line extension.

The administrators, who are three partners of the accountancy firm Ernst & Young, met Lord Wakeham, the Lord Privy Seal and leader of the Lords who is chairing a government committee on London Docklands.

They were accompanied by Lord Griffiths, Lady Thatcher's former adviser who is now international adviser at Goldman Sachs, the US investment bank which is working for the administrators.

### Retailers hold market share

The UK's biggest retailers continue to be the most profitable of their kind in Europe in spite of the severe recession that has ravaged the service sector.

According to an analysis by consultants Management Horizons, UK companies accounted the six most profitable retailers in Europe last year. Their profitability stemmed from the big investments UK retailers had made in own-brand development, superstore construction and information technology and distribution systems, the report said.

Overall, UK companies accounted for 24 of the 50 most profitable European retailers.

### Manufacturing capacity at risk

Serious losses of manufacturing and business capacity are threatened unless there is a significant increase in economic activity, according to north-west England's chambers of commerce. The chambers' regular quarterly survey for the July-September period shows confidence crashing as orders nosedived. Nearly all improvements in trends during the last 12 months were wiped out.

### MG rides again

Rover Group, the car-making subsidiary of British Aerospace, is to relaunch its MG sports car in a redesigned version known as the MG RV8. Rover said it is also considering re-engineering the car for export following enquiries from prospective Japanese and European buyers.

## Government rejects EC charges on green issues

By Bronwen Maddox, Environment Correspondent

THE GOVERNMENT accused Brussels yesterday of acting with insensitivity as it dismissed claims that the UK will be taken to the European Court of Justice for three breaches of environmental laws on wild birds and emissions of nitrous oxide.

Mr Michael Howard, environment secretary, was called to defend the government's "green" record at yesterday's relaunch of a campaign to persuade householders to save energy and help to prevent global warming.

He said: "We have received no communication whatsoever from the European Commission on these issues since before the general election in April", adding that he had thought the three disputes had been "amicably resolved".

Brussels has sent reasoned opinions to the UK government - the last step before court action - for allowing farmers to shoot "pest species" of wild birds such as crows, starlings and magpies, and for its alleged failure to provide enough "special protection areas" for wild birds.



Michael Howard: thought disputes had been "amicably resolved"

A third dispute over the "failure" to monitor levels of nitrous oxide is less advanced. Mr Howard said that he did not expect any of the arguments to end in court.

The row, just days ahead of Friday's EC summit in Birmingham, will fuel Britain's calls for less interference from Brussels. Giving evidence yesterday to the Commons foreign affairs select committee, Mr

Douglas Hurd, foreign secretary, said: "My own personal view is these things [should be] a matter for national governments acting in line with national traditions, national feelings."

The new campaign, called "Helping the earth begin at home", will cost £10m over the next three years and will urge householders to lag water tanks and turn off lights.

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Humans have long been fascinated by the idea of eternally preserving youthful vitality. Much of Florida was mapped out by the Spanish explorer Ponce de León in his search for the fountain of youth. A few years ago, Hollywood made a small fortune by exploring the idea of eternal life in the film *Cocoon*.

Only in the last few years, however, has the search for youth made the leap from myth and dreams into scientists' laboratories. After years of concentrating on specific diseases like heart disease and cancer, some researchers are turning their attention to an increasingly common cause of death: old age.

Research on ageing is becoming a hot area for scientists. Human growth factor, nerve growth factor, DHEA hormone and deprenyl are just a few of the drugs that have been shown to have an impact on some processes involved in ageing. But none has been shown to extend life reliably.

The basic mechanisms underlying the process of ageing are still poorly understood. Researchers do not even agree on such fundamental questions as whether there is an irreversible biological limit to the human life span. If there is, it might still be possible to extend the lives of those who die "prematurely" - but there would be no hope of keeping significant numbers of people alive beyond 115.

"One reason for the lack of definite progress so far is that ageing offers not too few, but too many, lines of investigation," says Tom Kirkwood of the National Institute for Medical Research in London.

"As we grow older, almost everything in our bodies undergoes some change. Not only is it difficult therefore to sort out which changes are causes rather than consequences, but it is not even clear what kinds of causes we



should be looking for," he says.

Some scientists are searching for genes which may bring about ageing in a controlled way, like the ones that govern growth from embryo to adulthood. Some are concentrating on the proteins which maintain the normal working of cells and which lose their normal patterns of activity in old people. And some are trying to sort out the myriad of agents, both internal and external, which damage cells over the course of a lifetime.

Kirkwood rejects the popular idea that "ageing is good for the species and that we die as an evolutionary adaptation to make way for new generations". Unfortunately, there is no specific life-terminating genetic programme which scientists might in principle be able to identify and switch off,

he says. Instead, we age because of an accumulation of errors in many cellular repair mechanisms.

The US National Institute on Ageing (NIA) is funding some of the most exciting research projects in the field. In one study, Daniel Rudman of the Medical College of Wisconsin discovered that human growth hormone, administered to 50 men in a nursing home, seemed temporarily to turn back the biological clock, improving bone and organ strength and making the men more physically active.

At one time, human growth hormone was an extremely rare substance, used exclusively for correcting the dwarf syndrome. Advances in biotechnology have recently made it possible to make the hormone synthetically. Eli Lilly

and Genentech, two manufacturers of the substance, participated in Rudman's research.

Although human growth hormone is more plentiful than it once was, it is still expensive. Rudman's patients would have to pay about \$14,000 (\$7,900) a year for the drug if they were to purchase it individually.

In an attempt to pare down the costs and increase the efficiency of the treatment, Mitchell Harman of the NIA has taken Rudman's research one step further. He has created the "growth hormone releasing hormone", a substance which stimulates human beings to produce more growth hormone in their own bodies.

Another drug that has come under scrutiny for its anti-ageing effects is DHEA, which according to some studies can

make faltering immune systems come alive again. DHEA is a natural hormone which decreases in the body with age. Experiments with the substance helped spawn the "morning after" pill, which contains some DHEA. Today, DHEA is manufactured by several companies, although it has not been approved for use against ageing in the US.

Scientists also hope that genetic manipulation may help extend life spans. Geron Corporation in California, for instance, has been studying genes that may trigger ageing, as well as compounds that may reverse these effects.

Researchers have bred strains of fruit flies that live twice as long as normal and are identifying the genes responsible. One gene produces an enzyme, superoxide dismutase (SOD), which mops up highly reactive chemicals called free radicals that damage biological tissues. However, scientists have not yet developed a protective drug that could deliver SOD to the cells where it is needed.

Oxygen free radicals, in particular, may well be an important factor in ageing and some doctors believe that antioxidants such as vitamins C and E can help prolong life. If so, the traditional advice for children to eat up their green vegetables might help them to live longer.

Indeed, eating a controlled diet is still the only method widely believed by scientists to have a significant impact on lifespan. "Diet is the only known way of extending life," says George Roth of the NIA. He points to experiments with a range of animals including insects, rats and monkeys. "We limit their food intake and give them vitamin supplements. So we aim for under-nutrition without malnutrition."

The results from the experiments are astounding. In all cases, a low-calorie intake was shown to extend the organism's life by about 40 to 50 per cent. The method has already

won over some believers. Roy Walford, who launched the well-known Biosphere project, is currently experimenting with under-nutrition on himself.

According to Roth, however, under-nutrition may not be necessary. "The idea is to come up with a drug which would have the same impact on the body as low-calorie intake," he explained.

Despite progress in the field, many observers believe it will be a long time before a trip to the local pharmacy includes a stop at the life-extension counter. Many companies have little incentive to spend money on ageing research, since many of the substances are naturally-occurring and are therefore difficult to patent. Another problem is that regulatory authorities may not be keen to approve the drugs for market.

Anti-ageing drugs may also have serious side effects, the most dangerous of which could be cancer. Since cancer, or the over-growth of cells, is in some ways the opposite of ageing, or the under-growth of cells, medical manipulation may push the body over the edge to malignancy.

Scientists are also concerned about the ethical and financial implications of anti-ageing drugs. Increasing life span without increasing health span, for instance, could do more harm than good.

"If we add on years to human life but do nothing to make them more active during those years, what we are doing is adding to human misery," says Roth. "We have to think hard about these questions, or we may end up with 150-year-olds who spent the last 60 years of their life in a nursing home. That would be a disaster."

### Technically Speaking

## Tight squeeze putting desktops in a pocket

By Geof Wheelwright

Dozens of high-tech companies in the UK, Japan and the US are scrambling to produce hand-held computers, driven by a burning desire to put a "computer in every palm". Few of them, however, seem to have grasped the basic difference between designing a computer that will sit on your desk and one that will fit in your pocket.

Most are climbing over one another to make hand-held computers that are as fast, powerful and easy to use as today's desktop systems. But in order to meet the size requirements of a hand-held computer, manufacturers are using miniaturised versions of old technologies.

The problem is that yesterday's hardware - even when it is updated and shrunk until it fits into the palm of your hand - will not run the latest PC software. Rather than recognising this limitation - and rethinking their design strategy - many makers of pint-sized PCs are forcing users to accept these abbreviated versions of their desktop PC software. Even big companies such as Atari, Memorex and Fujitsu have gone this route.

There are five big limitations that have prevented hand-held systems from achieving the same power as their desktop brethren: memory, storage space, processor speed, display quality and keyboard size. On most systems, memory and storage space are provided by "solid state", battery-backed memory chips - and the restriction lies in the number of chips which can be squeezed into one tiny machine. This part of the equation may improve slightly with the advent of ultra-small, magnetic disk drives such as Hewlett-Packard's recently launched 1.8-inch diameter disk drive - but these also carry a price in terms of power consumption.

Meanwhile, the processor speed of hand-held machines is increasing more quickly than in desktop systems. But these faster processors will take a few years before they can reach the power of today's desktops. And they will always lag behind due to the physical dimensions of hand-held machines.

Display quality and keyboard size are also limited by the size of your wallet - and the size of your fingers. While there are some creative alternatives to the keyboard - such as voice or pen-based machines - these fall outside the mainstream PC world. And therein lies the problem. Although it may be technologically possible one day to fit a full-blown desktop PC into a computer small enough

to fit in your pocket, this is not what most people want. Rather, they desire a tool which will help them access vital information that is needed when they are out of the office - and which carries with it the capability to send and retrieve information from that office or others.

Some companies - such as HP's 95LX, Japanese electronics giant Sharp's popular "IQ" or "Wizard" range and Psion's 18-month old Series 3 hand-held computer - have recognised this and are reaping the benefits of having done so.

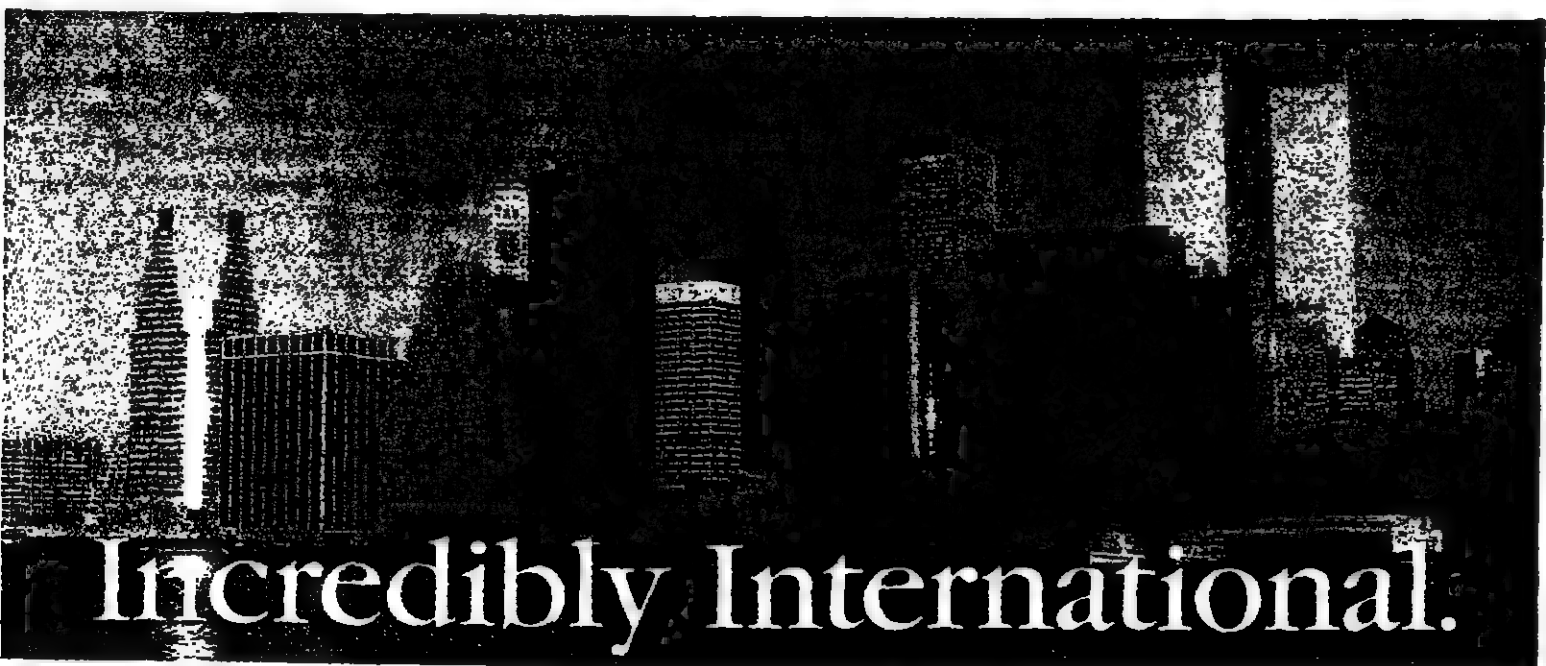
Pocket-sized computers are simply a different kind of product. Unlike the general-purpose desktop PC they need to be geared to the special needs of certain users.

We already have pocket-sized "organisers" such as the Sharp Wizard, and pocket-sized computer games such as the Nintendo Gameboy. What next? A word processor for those on the move or a facsimile machine that fits in your pocket are possibilities.

The breakthrough in hand-held computing will, however, come with the ability to build wireless communications into a pocket-sized computer at a mass-market price. We already have cellular telephones that fit in your pocket and a few computers that are pocket sized. What we need is a single unit that combines both.



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## MANAGEMENT: THE GROWING BUSINESS

Next year's European Single Market may bring with it a bureaucratic nightmare for companies that charge VAT, says Charles Batchelor

# Exporters pick up the pieces as barricades fall

Radical changes in the way that businesses in Europe account for value added tax (VAT) are causing consternation among companies and industry associations throughout the European Community.

From January 1 the formal creation of the Single European market will lead to the abolition of border controls and removal of the customs posts which at present monitor VAT and collect trade statistics.

Companies with customers and suppliers elsewhere in the Community will record their own VAT information and compile their own trading records.

There are widespread fears that this, the most fundamental shake-up of the VAT system for two decades, will create a bureaucratic nightmare and impose considerable extra costs.

The new VAT and reporting systems will affect the 140,000 UK companies which currently trade with other EC countries while some 30,000 companies will be required to fill in far more detailed monthly returns on exports. Many hundreds of thousands of businesses in other EC countries must also comply.

"We have been horrified at what is happening," says Sandy Anson, tax specialist at the Institute of Directors (IOD). "This was a political decision taken by the Community before anyone thought of the practical ramifications. The more you look at it, the worse it gets."

Other industry groups around Europe share these fears. The French Employers' Association, the *Patronat*, doubts whether the new system will really simplify cross-border trade, while the German counterpart, the *Bundesverband der Deutschen Industrie*, describes the transitional system as "an optical illusion".

By moving from customs posts to internal controls within companies, the Community is merely exchanging a visible hindrance to trade for a less visible, but equally, powerful barrier, says Winfried Eggers, the IOD's spokesman.

The high time-table which has been imposed has meant that many businesses are scrambling to modify their VAT procedures and their internal data collection systems. But others remain unaware of the implications of the changes.

For British Steel, the problem of responding to the new VAT regulations hinged on the scattered nature of its operations.

The group had been formed from 14 separate companies, all operating independently and frequently with incompatible data collection systems.

Group VAT returns are at present compiled from 31 separate "manual" returns.

With more than a quarter of British Steel's £4.6bn annual sales made to other Community members and significant volumes of raw materials and other goods coming in from continental Europe, the company clearly faced considerable changes.

British Steel had a choice, explains Harvey Collier, a manager closely involved in the project. It could get each of its operating units to provide the VAT data to Customs & Excise or, alternatively, it could centralise data collection.

"The latter approach had its attractions but the company had never before had a central commercial data base."

Despite this, British Steel opted for a centralised approach because this would allow it to build up a core of expertise in single market issues while the head office experience of VAT matters could be applied to any problems which arose.

It would avoid individual businesses putting different interpretations on the reporting

Many companies have made the mistake of treating the new VAT rules as a purely technical issue and have delegated responsibility to junior managers in their tax departments. "There is not the grasp at board level of the importance of the new system," comments John Arnold, a tax partner at accountants Coopers & Lybrand. "We are looking at major changes in the way companies operate."

The need to have the new system in place by January 1 has put pressure on both the European Commission and national governments. Amendments to the new system are still being considered in Brussels while many member states have yet to pass the legislation needed.

Under the present system, no VAT is payable on exports but tax is levied when the goods reach their port of destination. When border controls go, this system will no longer be possible so the European Commission proposed moving to what it calls an "origin" system of taxation.

This would have meant an exporter based in London and selling to a customer in Milan would charge UK VAT just as if he were selling to Liverpool. The Italian businessman would then recover the UK VAT through his Italian VAT return and charge Italian VAT when he sold the goods to his Italian customers.

The problem with this proposal was that it would have required far greater harmony between VAT rates in the different countries. It would have probably meant that the UK would have had to drop its zero-rating of children's clothing and many foods, a step with serious political implications.

A clearing house would have been needed to redistribute VAT revenues around the member states and many countries doubted whether this could have been made to work effectively.

These difficulties persuaded the Commission to go for a transitional system from next January with the aim of launching a full-blown "origin" system in January 1997. Under the transitional system, there is still no VAT on exports to another EC country and the importer, if it is a VAT-registered business, pays VAT when it takes delivery of the goods.

But if the purchaser is a private individual, or an organisation not registered for VAT, the goods are taxed in the exporting country. And special rules have been drawn up for "distance sales", such as through mail order and for sales of high value, easily moveable items like cars, boats and planes to non-VAT registered individuals.

Finally, since VAT inspectors will no longer be collecting data at border posts, companies will be required to submit details of imports and exports to Customs. Smaller traders must file what is known as a European Sales List every quarter while larger companies, buying or selling more than £135,000 a year, must make a more detailed declaration every month.

UK Customs & Excise acknowledges that the new tax regime is complex but says it represents a necessary compromise between the demands of the 12 EC member states. It has been publicising the new system for more than a year and has already visited 20,000 companies.

"We hope people will get it right but, realistically, they will not at the outset so we will treat errors and misunderstandings leniently in the early stages," Customs says.

Despite these worries, even the new regime's critics accept that it will bring some benefits. There should be an end to border delays and a saving on freight clearance costs at ports. According to one estimate, the abolition of tax controls at the frontier will lead to Europe-wide savings of £10bn.

Importers will no longer have to provide bank guarantees to Customs for VAT payments due. Since the banks set these guarantees against their customers' total loan facility, this could free a total of up to £3bn worth of capital for other uses, the IOD's Anson calculates.

But there are considerable doubts about many of the details of the new regime. They include:

● Difficulties in accounting for what is known as "triangular trade", when a buyer office in, say, Germany orders goods from Spain for delivery to a branch location in France. To avoid the risk of being taxed twice, the buyer must choose where to register for VAT purchases. Triangular trade is far more common than at first thought.

● It may be difficult for an exporter to provide proof of his goods have gone abroad. The government has said exporters will not be penalised if they take all reasonable precautions but business organisations wonder how understanding Customs will be. Exporters must record their customers' VAT-registration number on invoices but some countries, such as Germany and France, are only now issuing numbers.

● Mail order companies doing substantial foreign business must appoint a representative to handle their affairs locally and provide a contact point for the local VAT authorities. It may prove difficult and expensive to find such agents since they will assume an unlimited liability for paying VAT, says Adrian Ogley, tax specialist at the CBI. "The cost of maintaining a local representative may wipe out any profit for a small company."

● Differing currency valuations, transfers to overseas branches which have to be registered as sales, and alternative ways of doing business such as leasing, may all create distortions in the reporting of trade information to the VAT authorities. Many UK companies will have to modify their internal data collection methods to provide the much more detailed information required.

● The potential for fraud. At present if Customs suspect a misdeclaration of the value of a shipment, they can hold on to the goods. In future they may have to check back on the value of consignments made three or more months earlier.

● Confusion could result in the first few months of 1993 because many countries have yet to introduce the legislation needed to implement the new system. Countries such as Germany, Italy and Denmark will be introducing detailed legislation to implement the new VAT system this month or next. The EC itself is currently working on a "cleansing directive" to sort out some of the problems created by the original VAT directive but this may not be agreed until November or December.

Industry lobbyists around the Community agree that there is little they can do now to change the way the transitional system will work from January 1 though they are determined to make their voices heard before the final system is introduced in 1997.

Ultimately, apologists for the new system claim, acceptance is just one of the start-up costs of the single European market which is forecast to bring general trading benefits of £170bn to businesses in the Community. "But the benefits come in the general commercial area while there are a lot of costs on the VAT side," says the CBI's Ogley. "Every-one wants the single market but the question is, do they want it at this price?"

There are software packages on the market designed to cope with the new requirements, but companies cannot simply buy their way out of difficulty by installing a package. Software of this kind needs data to process and the only place this can come from is the corporate accounting system.

Companies which have yet to prepare for 1993 have three options, other than modifying their existing systems.

● They can write, or have written, a special piece of software which will accept data from their existing accounting system and turn it into reports acceptable to the Customs authorities. This could cost between £5,000 and £20,000.

● They can buy a cheap and cheerful software package which will generate the appropriate VAT returns. The data will have to be keyed in by hand, however, which will be costly in time and money.

● They will have to prepare reports manually or pay an agent to do the job for them.

VAT reports can be submitted on paper, on half-inch magnetic tape, 3.5 inch diskettes, or via electronic data interchange - a range of options which some firms may find restrictive.

There are, as always, penalties both in the UK and elsewhere for compliance failures. But the biggest risk for exporters is that if they fail to obtain and quote their customers' foreign VAT registration number and retain proof that the goods have left the UK, they will be liable for UK VAT at 17.5 per cent. Proof of export from the UK will not be easy where the customer arranges the transport. While Customs have suggested that a deposit for the UK VAT could be required from the customer, this may be difficult to implement.

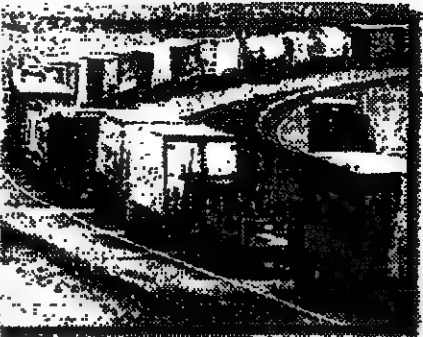
The author is a tax partner with Coopers & Lybrand and chairman of their European VAT network.

## At present

Trade is subject to border checks...

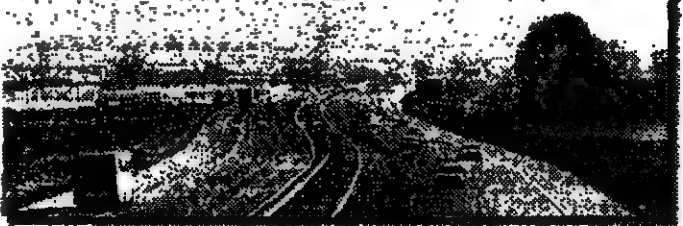


... often leading to delays



## From Jan 1

EC lifts border controls & creates Single Market



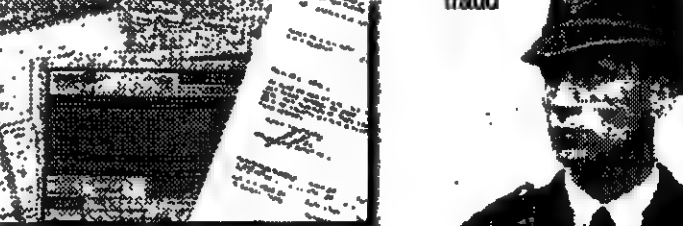
Companies will record VAT information themselves...



...so internal systems need modifying now



But circular deals cause problems and data is difficult to recover...



...allowing scope for fraud

introduced in 1997.

Ultimately, apologists for the new system claim, acceptance is just one of the start-up costs of the single European market which is forecast to bring general trading benefits of £170bn to businesses in the Community.

"But the benefits come in the general commercial area while there are a lot of costs on the VAT side," says the CBI's Ogley. "Every-one wants the single market but the question is, do they want it at this price?"

## Case study: The large company

## Building up a core of expertise



Harvey Collier: opted for centralised approach

requirements. In addition, the company would have to maintain only one system to process data for single market requirements and if changes were

made in the reporting requirements, there would only be the need to make one set of amendments to the system. Once the decision had been taken

to introduce a central system, British Steel discovered other benefits, says Collier.

Not only would the information be more accurate, it would also be more timely because by avoiding the need to cross-check the data, it could set a later cut-off date.

Delivery information required from national producers under early EC legislation could be provided centrally and a corporate commercial data base could be set up.

Responding to the new VAT regulations has produced some valuable and unexpected benefits but it has also thrown up some tricky administrative problems.

The two main ones have been obtaining the VAT numbers from its European customers and deciding on a uniform method of allocating a tariff number, which identifies a product for customs' purposes, to its purchases.

At present British Steel has no need to record the tariff number, or even to note the country from which the goods have been supplied.

From January 1 it will have to record this information. BS believes it will achieve its twin aims of providing the trade data required by the European Community and automating its VAT returns by January 1.

This is despite the fact that the new VAT legislation is still not complete.

## Case study: The small firm

## Switching staff to a new range of duties

Morrisflex, a small manufacturer of rotary tools and finishing machinery, has been gearing itself up for the VAT changes since April.

The company, which exports one-third of its £3m turnover, mostly to other European Community countries, is fortunate in having a full-time computer manager, says company secretary Jeremy Theaker.

Many companies of similar size - Morrisflex employs 75 people - would not have a computer specialist and so would have to employ outside consultants.

Morrisflex's computer manager is currently working on creating a database for the information the company will now have to collect, though it expects it will also have to do additional manual data collection.

Morrisflex recently wrote to its 100-plus European Community customers to ask them for their VAT numbers which will have to be included on all invoices from January.

Just over half have replied so far but there was a particularly poor response from Germany



Jeremy Theaker: gearing up

(which is issuing new VAT codes) and Italy. There was a good response from the Netherlands, says Theaker.

Morrisflex, based in Braunston, Northamptonshire, does not see much advantage from the switch to the new VAT system. It does not, for example, expect to benefit from the removal of border checks because it sends most of its consignments by parcel post. This means it does not normally experience customs delays or have to bear the cost of clearing agents.

## Computers

## Race to get the systems right

Most companies are now faced with a race against time to make the necessary modifications to their core computer systems to meet the requirements of the new regulations.

The alternative will be a time consuming and expensive monthly struggle to collate information manually.

Many, however, have still to tackle the strategic issues concerned with changing business practices to meet the 1993 requirements, let alone modifying their computer systems to produce the information.

Some estimates indicate that only 10 per cent of the 30,000 companies which will have to submit the most detailed reports have yet begun to assess the detailed systems changes which will be required.

It seems a classic example of a business imperative falling into the gulch between general management and information systems management. Each believes the other is responsible for initiating and implementing the necessary changes, and as a result nothing has been done.

The heaviest burden will fall on the larger companies - exporting or importing more than £135,000 worth of goods a year - and those trading with several European countries. For companies which have not yet begun to modify their systems, it may be already too late to meet the end-of-year deadline.

The reason is that although the software changes might seem slight, they are extensive, affecting the programs responsible for sales order processing, purchase order processing, accounts receivable, accounts payable, fixed assets and inventory. Changes to these core systems cannot be made quickly or easily.

Many companies rely on accounting software developed years ago in technologies now obsolete. The design details of these "legacy" systems often become obscured and programmers are reluctant to make changes because of the risk of crashing the entire system or generating errors in other programs.

Modification becomes more complicated when a company is using a number of systems. Only a minority have so-called "integrated" accounting software, which uses common descriptions of data and accounting conventions. Another reason why time is short is the chronic shortage of skilled staff which already inhibits companies' ability to develop new computer applications.

There are software packages on the market designed to cope with the new requirements, but companies cannot simply buy their way out of difficulty by installing a package. Software of this kind needs data to process and the only place this can come from is the corporate accounting system.

Companies which have yet to prepare for 1993 have three options, other than modifying their existing systems.

● They can write, or have written, a special piece of software which will accept data from their existing accounting system and turn it into reports acceptable to the Customs authorities. This could cost between £5,000 and £20,000.

● They can buy a cheap and cheerful software package which will generate the appropriate VAT returns. The data will have to be keyed in by hand, however, which will be costly in time and money.

● They will have to prepare reports manually or pay an agent to do the job for them.

VAT reports can be submitted on paper, on half-inch magnetic tape, 3.5 inch diskettes, or via electronic data interchange - a range of options which some firms may find restrictive.

Alan Cane

## An accountant explains the details

## On your marks for the great tax paper chase

John Arnold looks at how the changes will affect European and non-EC companies alike



The 1993 VAT changes will affect only the movement of goods between EC countries. The present rules and systems will remain for all imports and exports of goods from non-EC countries; services, except for those such as transport, freight handling and similar services, will not be affected.

Businesses exporting to or importing from both EC and non-EC countries will have to cope with at least two separate systems. A non-EC business, which owns goods located in the EC and sells across EC borders, will also be affected, even if it only acts as an invoicing company.

Until now, EC tax authorities have controlled the payment of VAT due by monitoring each shipment of imports. But with the removal of border controls, this will no longer be possible; instead, the controls, including the requirement for payment of import VAT, are being transferred to the premises of the importer and exporter.

A UK company importing goods from other EC countries will have to apply the reverse charge to the value of all its imports. This procedure (which already applies to many services) involves the company charging itself output tax and, at the same time, taking relief for the same amount of input tax - in other words, grossing up both sides of its VAT account.

For a business which can recover all VAT paid, there will be no cost with this procedure. But partly-exempt businesses, such as banks and other financial institutions, which cannot recover all their input VAT, will suffer the same VAT cost as if they had acquired the goods from a UK supplier.

A UK supplier exporting to another EC country will need to obtain the customer's VAT registration number (if the customer is registered for VAT) and quote it on the sales invoice. If it can be demonstrated that the goods have left the

UK, the supplier will be entitled to zero-rate the transaction.

This procedure applies not only to "sales" in the conventional sense, but also to many other cross-border movements of goods, such as transfers between branches within the same legal entity.

If the customer is not registered for VAT, is a private individual, and the UK supplier arranges delivery or transport, then the supplier will charge UK VAT on exports up to an annual limit per country of EC £5,000 (about £24,500) or Ecu 100,000. Over that limit, the supplier will have to register for VAT in the customer's EC country and charge "local" VAT. EC countries are able to choose which limit to apply, and it appears currently that most will go for the higher.

If the non-VAT-registered customer is a legal entity, for example a governmental organisation, then

it will have to register locally if the level of its imported goods from other EC countries exceeds the local annual limit, which must be at least Ecu10,000. Once the customer has registered, the procedure will be the same as for any other VAT-registered customer; below that level the UK supplier will have to charge UK VAT.

There are also special export rules which principally apply to new cars, boats and small planes, and require the purchaser to account for VAT in the EC country of use.

As a further control, exporters will have to submit to Customs & Excise aggregated listings of all such zero-rated sales per customer and per country on a quarterly basis. Customs will exchange these listings with the tax authorities in other EC countries.

But that is not an end to the

paperwork. Importers and exporters with annual intra-EC trade in excess of £135,000 a year will also have to provide detailed trade statistics on a monthly basis. Each item exported in the month must be aggregated according to the Customs Tariff commodity code and then a further 10 separate pieces of information supplied per code. The return is due within 10 working days from the end of the month.

This will be a particularly onerous requirement for businesses, many of which have hitherto relied on freight agents to compile and submit the documents. Freight agents can of course continue to be used, but the information will have to be aggregated, and this could cause problems where more than one agent is involved.

Many businesses will, for the first time, have to register and charge VAT in another EC country.

In addition to the circumstances already described, this is most likely to occur where the business holds stock in other EC countries or is involved in "triangular" trade.

This occurs where the invoicing route does not follow the movement of the goods, for example where A sells to B who on-sells to C (who are all in different EC countries) but the goods are transported directly from A to C. Many multinational companies operate in this way.

The UK and some other EC countries are pressing for simplification measures in order to avoid a multiplicity of VAT registrations across the EC.

The UK and two other EC countries have provisionally introduced their own simplification measures, and are pressing for their adoption across the EC, but this is still under discussion.

Registration is a complex administrative and compliance burden, with additional costs arising from multi-currency and multi-rate VAT invoicing in another language. Tax representatives or fellow-subscribers may be used as agents, although local subsidiaries may not be able to cope with their current resources. Registration can also bring direct tax problems as well as considerable cash flow costs in countries such as Italy if the business is to be in a VAT repayment position.

There are, as always, penalties both in the UK and elsewhere for compliance failures. But the biggest risk for exporters is that if they fail to obtain and quote their customers' foreign VAT registration number and retain proof that the goods have left the UK, they will be liable for UK VAT at 17.5 per cent. Proof of export from the UK will not be easy where the customer arranges the transport. While Customs have suggested that a deposit for the UK VAT could be required from the customer, this may be difficult to implement.

The author is a tax partner with Coopers & Lybrand and chairman of their European VAT network.



## BUSINESS LAW

# Why lawyers should consider consultancy

By Richard Susskind

In the increasingly competitive legal marketplace, lawyers are seeking to extend the range of topics on which they feel qualified and competent to advise.

One natural development will be the provision of consulting services in fields of expertise in which competence has already been established within their own firm.

If a firm has invested heavily for internal purposes in areas such as information technology, marketing, human resources, training, recruitment and administration, it can recover that expenditure not only through the cost savings and enhanced performance that would normally be expected, but also by selling on that expertise.

The potential clients for

Increasingly, corporate clients in particular have been asking for a more proactive approach

these services are legal departments of companies, other professional service providers, public sector lawyers, legal advisers in Europe and elsewhere, and even other local law firms.

This last eventually is perhaps the most iconoclastic, in that it may seem wrongheaded to be helping one's competitors. However, the business benefits of advising potential competitors may outweigh the advantages of withholding such advice (given also that the advice will inevitably be obtained from other sources).

There is a second and more subtle way in which lawyers might move into consulting - through the provision of legal services proactively, using techniques and adopting a perspective that would normally be regarded as the province of management consultants.

Traditional lawyering is

reactive, in the sense that clients come to their solicitors with their perceived legal problems and the lawyer then reacts to them. There are two well-known difficulties with this approach: first, by the time the client perceives a problem it may well be too late; and second, it is unlikely that clients will be able to perceive all their legal problems.

Increasingly, in recent years, corporate clients in particular have been asking for a more proactive approach.

In dispute-oriented work, the theme of proactivity is that of dispute pre-emption rather than dispute resolution; while, in transaction-based activities, lawyers will be retained not just to crystallise in legal terminology a deal already agreed on by the parties, but as advisers on all legal risk management.

Many lawyers will claim that they are already proactive. Most are not. Nor can they be until they change their working practices radically. Genuine proactivity goes beyond the ad hoc foresights of a bright lawyer. It requires the deployment of techniques (often based on information technology) similar to the more structured and formalised processes and procedure developed for other tasks by the first-rate consulting practices.

Not until these techniques are established and are being injected by lawyers into the hearts of organisations and at key points in the life cycles of all relevant projects can lawyering sensibly claim to be proactive.

Comprehensive (often automated) audits and health checks will be compiled to assist in surveying the general effectiveness and efficiency of clients' legal affairs, looking at matters such as exposure to liability, preparedness for litigation, soundness of document management practice, quality of standard form contracts, and the mechanisms in place for the identification of legal problems.

Additionally, these audits

will assess whether clients comply with relevant regulations (for instance, EC directives).

Legal risk management methodologies will also become the order of the day, akin to those already used by consultants in risk assessment generally. These methodologies will stipulate, in advance, when and what legal precautions and measures should be adopted by clients to help them identify, manage and control potential legal risks; and the teachings of these methodologies will be integrated with wider corporate practice.

Clearly, a shift towards proactive legal consulting of this sort will require lawyers to reorientate themselves, using a more familiar analogy, from practitioners who cure diseases to those who administer a more preventative medicine. This demands that lawyers release themselves from the confines of considering the particular consequences of highly specific facts to functioning (as legal academics have always done) at a higher level of generality by considering the implications of a wide panoply of potential scenarios, risks and opportunities.

Whatever the future of consulting by lawyers, comparisons between the accounting and legal professions are inevitable, not just because the former has borne substantial management consulting practices but also in light of accountants' admirable record of recognising and exploiting commercial opportunities often only loosely related to their core business.

There are lessons here for lawyers. One is that the marriage of accounting and consulting practices have not always been entirely happy (in forms firms not least because consulting has not been profitable).

Although both accounting and consultancy services tend to be provided under the same corporate label, there are clear cultural differences between the groups that provide the

two sets of services and cross-selling and collaboration opportunities are exploited far less frequently than might be expected. More vigilant human resource management by lawyers at the outset may ease such tensions.

Another lesson for lawyers relates to the accounting giants' ability to recognise commercial opportunities and to marshal formidable resources in quick exploitation, a capacity of which lawyers have been simultaneously distrustful and envious.

Taxation, trusts and insolvency work are the best documented illustrations or markets being taken from the legal profession on the strength of this entrepreneurial flair.

But the field of data protection offers a more powerful

Another lesson relates to the accounting giants' ability to recognise commercial opportunities

example: when in 1994 a piece of legislation was enacted governing the pervasive practice of processing personal information electronically, the majority of the legal profession awaited instructions from clients in the time-honoured reactive manner while the market was largely captured by the accounting and consultancy firms who met the real business needs of clients.

In a daunting barrage of professional proactivity in a field beyond their mainstream business, these consultancy firms provided consulting services in precisely the way that lawyers can and should today in many other areas of business.

The author is head of consulting at M&Sons, solicitors in London, and visiting professor to Strathclyde University's Centre for Law, Computers and Technology.

## PEOPLE

## Alexander squares the circle

Stephen Alexander - who revolutionised tea drinking habits through introducing the round tea bag - has been appointed managing director of Lyons, the company's manufacturing sector, at the youthful age of 38.

Alexander modestly denies having invented the round tea bag. He says he was "the guy lucky enough to have approved" the invention of the round, as opposed to square, tea bag, one of Allied-Lyons' most successful ventures of recent years. Ian Prutton, the deputy marketing director and

Bob Hodges, his managing director, at Lyons Tetley take the honour of inventing it," says Alexander.

The round tea bag was launched by Tetley in the south of the UK in mid-1989 and has been "a tremendous success", he says.

According to Alexander, "the tea market is a very conservative market place, where normally one was used to looking at market share movements of decimal points. Tetley round tea bags put on a full five points of market share, and the Tetley and the Quick Brew tea

brands are now in effect only available in round form".

Alexander, a Cambridge University law graduate, joined Allied-Lyons in late 1989, starting out by running the export side of Lyons' tea business. He went on to run Lyons' ice-cream business and went on to the board of Lyons in March 1988.

He is appointed to the new position from November 2 and will take over responsibility for the food sector when David Beatty, Lyons' deputy chairman, retires at the end of February.

## Another rung up the Wickes ladder

Bill McGrath, currently chairman of Wickes retail group, has succeeded Dick Clark as group managing director of the parent company.

Wickes, which operates a chain of highly successful DIY stores, was almost sunk last year following a disastrous diversification into the timber business but has since steadily cleared its way back from the brink.

McGrath can therefore expect an easier ride than his

predecessor had; he will have more time to spend developing the company's core business in the UK and mainland Europe.

McGrath joined Wickes in 1987 following the acquisition of the Builders Mate business, where he was chief executive, and rapidly climbed the Wickes ladder overseeing the opening of its 100th store earlier this year.

Clark will remain with Wickes as a consultant helping to develop its operations in new European markets.



## Insurance moves



Neil Utley, marketing and sales director, has been appointed deputy md and Paul Newton (above) finance director of HALIFAX INSURANCE.

David Skay has been appointed a director of the non-marine division of EW PAYNE.

Andrew Newman and David Glover have been appointed directors of RIK CARVILL & Co Ltd.

Steve Burridge, Chris McGloin and Chris Tangmar

have been promoted to directors of SEDGWICK JAMES (LONDON).

Jeffrey Thomas has been appointed senior representative in Japan for the ALEXANDER HOWDEN GROUP.

Peter Anson has been promoted to md of BAIN CLARKSON in Canterbury.

Raymond Liu, Margaret Nicol and Tracy Woods have been appointed directors of BERRY PALMER & LYLE.

Gordon Irish, secretary of the Association of Deposit Societies, has been elected chairman of the FRIENDLY SOCIETIES LIAISON COMMITTEE.

Nigel Christian has been appointed an executive director and Simon Bishop a director of BOWRING AVIATION.

Roger Charlesworth has been appointed marketing director of LEGAL & GENERAL VENTURES; he moves from Allied Provincial Securities.

Alan Kestis has been

appointed md of systems and communications at BAIN CLARKSON Ltd; he moves from American Express.

Edward Rosedale has been appointed group md and Nigel Webb group administrative director of BYAS MOSLEY GROUP Ltd.

David Meldrum, general manager of GRE's financial services division, and Martin Lister (below), a director of GRE Asset Management, have been appointed to the board of GUARDIAN ROYAL EXCHANGE UNIT MANAGERS.

Dana Mendel, 56, a three-star athlete, is a former West Point cadet, decorated Vietnam combat officer, PhD in political science at Massachusetts Institute of Technology, White House adviser, and former executive vice president and director at International Paper, has taken over as chairman of Albright & Wilson. He was appointed as Tanneco's president and chief operating officer in April.

"He's a get-it-done guy," says Walsh.

He replaces Allen McInnes, a Tanneco executive vice president and board member, who resigned in July after 32 years with the company.

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## BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

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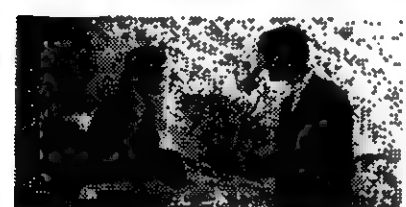
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BUSINESSBendles (Torquay)  
Limited

The Joint Administrative Receivers offer for sale the business and assets of this Devon based printing and stationery business which has been established for 78 years.

Principal features of the business include:

- turnover £1.4m
- extensive Devon client base
- 3 retail outlets
- 4,400 sq ft printing works
- 51 employees

For further details please contact Allan Grove or Ian Walker at Cork Gully, Midland House, North Street, Plymouth, Devon PL1 2EJ.  
Telephone: 0752 688888.  
Fax: 0752 604108.

Cork Gully is authorised in the name of Cooper & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Cork Gully

## "HCS" - Motor Dealers

The Joint Administrative Receivers offer for sale the business and assets of Elcocknoll Limited trading as "HCS". A well established garage business in the Portsmouth area trading from leasehold premises, currently operating a Toyota franchise:

- Existing 3,200 sq ft of modern well appointed showrooms, garage workshops and offices
- Forecast turnover £1.25 million per annum
- Car Sales £6.8 million per annum
- Parts and service turnover £650,000 per annum

The transfer of the franchise agreement is subject to manufacturer consent. For further information please contact the Joint Administrative Receiver R. Hooking FCCA or E. Blackwell FIPA of Stoy Hayward, Reading RG1 4RA. Tel: 0734 585466, Fax: 0734 567782.

**STOY HAYWARD** *Handwritten*  
Accountants and Business Advisers A member of Horwath International  
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

NOTICE OF SALE  
ARAWAK CEMENT COMPANY LTD.  
BARBADOS

- Dry process cement manufacture plant located in Barbados
- Capacity of 1,000 TPD clinker
- Commenced trading in 1984
- Presently owned by the government of Barbados (51%) and the government of the Republic of Trinidad and Tobago (49%)

Confidential offering memorandum may be obtained from:  
Permanent Secretary,  
Office of Privatisation,  
Ministry of Finance & Economic Affairs  
Ground Floor, Insurance Corporation of Barbados building.

Roeback Street, Bridgetown, Barbados  
Tel: (809) 436-9773 Fax: (809) 429-4032/436-9280  
PROPOSALS SHOULD BE MADE BY 18 DECEMBER 1992.

## MANAGEMENT CONSULTANCY

The FT proposes to publish this survey on  
October 21 1992.

It will be of particular interest to the 60,000 UK Businessmen involved in decision making for Management Consultancy, who read the weekday Financial Times - this is more than any other national daily newspaper.\* If you want to reach this important audience, call

Sara Mason  
Tel: 071-873 3349 Fax: 071-873 3064

Data source: \* BMRC Businessman Survey 1990

FT SURVEYS

Touche  
RossHealth and Beauty Equipment  
Manufacturer and Retailer  
for Sale

Lindsay Denney and Joe Atkinson, Joint Administrative Receivers, offer for sale the businesses and assets of a manufacturer of sun tanning equipment and retailer of beauty equipment.

- 11 City Centre Showroom.
- 11 Modern factory premises, approximately 6,000 sq ft, leasehold.
- 11 1992 turnover circa. £1.4m.
- 11 Well established customer base with major mail order outlets.
- 11 Approximately 13 employees.

For further information please contact Lindsay Denney or Sue Lewis at the address below.

1 Woodborough Road, Nottingham NG1 3FG.  
Tel: 0602 500511. Fax: 0602 590979.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

## Murographics Limited

The Joint Administrative Receivers offer for sale the business and assets of this established company available as a going concern.

Principal features of the business include:

- turnover £25m
- 3 divisions supplying: • print finishing equipment • lettering machines • presentation products
- leasehold premises in Weston-Super-Mare of 20,000 sq ft
- service depots in Warrington and London EC2
- approximately 80 employees.

For further details contact R W Birchall FCA, The Joint Administrative Receiver at Cork Gully, 66 Queen Square, Bristol BS1 4JP. Telephone: 0272 277185. Fax: 0272 307008.

Cork Gully is authorised in the name of Cooper & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Cork Gully

## LEONARD CURTIS

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS  
DAVID SWADEN FCA & CHARLES MACMILLAN FCA  
IN THE MATTER OF

## Joloda

Offers are invited for the business and assets of the above company.

- Materials Handling Manufacturer
- Established 25 years
- Turnover £3 million - 80% Export
- Exporter to the Far East and Europe
- Experienced workforce of 40
- Registered Trademark
- Worldwide reputation

Enquiries should be addressed to Charles MacMillan or Philip Duffy at:

Leonard Curtis & Partners, Chartered Accountants  
Peter House, Oxford Street, Manchester, M1 5AB  
Tel: 061 236 1955 Fax: 061 228 1929

ESTABLISHED SILK SCREEN PRINTERS  
AND TRANSFER MANUFACTURERS

The Administrative Receivers offer for sale the business and assets of R A James and Company Limited trading as Goldprint.

- Annual turnover approximately £1 million
- Leasehold premises in Burton on Trent
- Blue chip customer base
- Innovative design capability
- Specialist applications for glass and ceramics
- Skilled workforce

For further information please contact:

Robert Matulewicz,  
BDO Binder Hamlyn,  
206 Derby Road,  
Nottingham, NG7 1NQ.  
Tel: 0602 415312  
Fax: 0602 470193

BDO  
BINDER  
HAMLYN

Chartered Accountants  
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

## Humberts LEISURE

Nottingham City Centre  
Derby 14 miles, Leicester 25 miles  
Sheffield 37 miles, Manchester 63 milesLuxury  
commercial hotel

- 104 superb bedrooms
- Extensive conference facilities
- Situated adjacent to the historic castle
- Established and growing trade after 2 years
- Presented in excellent condition

For sale complete

071-629 6700

25 GROSVENOR STREET - LONDON W1X 9PL

## FOR SALE

## ST. HELENS - CONCRETE PRODUCTS FACTORY

- Existing production capacity c 1.5 million m<sup>2</sup> per annum
- Additional buildings & plant for further 1.5 million m<sup>2</sup>
- Approx. 12 acres freehold land

Write to Box Number A4544, Financial Times,  
One Southwark Bridge, London SE1 9HL.

Touche  
RossTolag Products & Company Ltd  
(In Administrative Receivership)

The Joint Administrative Receivers, Len Gutoff and Ian Brown, offer for sale the business and assets of the above company.

- 11 The company's business is precision engineering, specialising in CNC Turning, Milling and Drilling.
- 11 Well established quality "blue chip" customer base.
- 11 Experienced well qualified workforce including quality control personnel.
- 11 The company operates from two freehold factories including a well equipped 90,000 square foot factory in Cranington, Northumberland.
- 11 Projected 1993 turnover in excess of £5 million.

For further information, please contact either W. Paxton or P. W. Gray at the address below.

93a Grey Street, Newcastle upon Tyne NE1 6EA.

Tel: 091 261 4111. Fax: 091 232 7665.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Touche  
RossGreysheires (Building Supplies) Ltd  
(In Administrative Receivership)

The Joint Administrative Receivers, A. P. Peters and J. B. Atkinson, offer for sale the business and assets of the above supplier of heavy-duty building materials:

- 11 Annual turnover of approximately £10 million.
- 11 Freehold premises in Wednesbury, West Midlands and Cannock, Staffs within a close proximity of the motorway network.
- 11 Fleet of modern crane equipped delivery vehicles.
- 11 Extensive customer base.

For further information, please contact Andrew Peters or Greig Mitchell at the address below.

Colmore Gate, 2 Colmore Row, Birmingham B3 2BN.

Tel: 021 200 2211. Fax: 021 236 1513.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

## Smith &amp; Williamson

Corporate Recovery • Litigation Support • Corporate Finance • Taxation • Banking  
Investigations • Investment Management • Pensions & Life Assurance • Accounting • Auditing

The Joint Administrative Receivers of Minutdash Limited, Highlarge Limited and Pathnight Limited offer for sale the businesses and assets of the following prestigious restaurants

## L'ESCARGOT

Greek Street,  
London W1

This famous, long established West End restaurant has an excellent reputation and comprises:  
• Turnover circa £1.8m  
• 247 covers  
• Brasserie, restaurant and function room  
• Office accommodation above

Offers will be considered for the group or for individual units.

For further information please contact Michael Stevenson or Simon Lumden at the offices of Smith & Williamson on 071 637 5377, No 1 Riding House Street, London W1A 3AS. Fax: 071-323 5683.

Smith & Williamson,  
Chartered Accountants

Registered to carry on investment business  
by the Institute of Chartered Accountants in England and Wales

## SAN CARLO

Highgate,  
London N6

This modern, airy restaurant is situated in a prestigious residential area in Highgate Village and comprises:  
• Turnover circa £380,000 pa  
• 70 cover Italian Restaurant with bar area and patio  
• Residential/office accommodation above

Offers will be considered for the group or for individual units.

For further information please contact Michael Stevenson or Simon Lumden at the offices of Smith & Williamson on 071 637 5377, No 1 Riding House Street, London W1A 3AS. Fax: 071-323 5683.

Smith & Williamson,  
Chartered Accountants

Registered to carry on investment business  
by the Institute of Chartered Accountants in England and Wales

## PARCO'S

Sedgwick Centre  
Aldgate, London E1

This modern, airy restaurant is incorporated into the Sedgwick Centre, strategically placed next to the Aldgate Barrs Shopping Centre. It comprises:  
• Turnover circa £380,000 pa  
• 190 covers  
• Brasserie, restaurant and bar situated over 2 floors

Offers will be considered for the group or for individual units.

For further information please contact Michael Stevenson or Simon Lumden at the offices of Smith & Williamson on 071 637 5377, No 1 Riding House Street, London W1A 3AS. Fax: 071-323 5683.

Smith & Williamson,  
Chartered Accountants

Registered to carry on investment business  
by the Institute of Chartered Accountants in England and Wales

## Cutlery Manufacturer

## Sheffield

Cooper Ludlam Group (in receivership) manufactures quality traditional style silver plated and stainless steel cutlery and is offered for sale as a going concern.

- Leasehold Manufacturing premises in Sheffield
- Leasehold retail shop units at Meadowhall, Sheffield and Metro Centre Newcastle
- Three store concessions
- Annual turnover approx £2.5m
- Substantial order book
- Prestigious customer base

For further details contact the Joint Administrative Receiver: Geoffrey Gee Grant Thornton, 28 Kenwood Park Road, Sheffield S7 1NG.

Tel: 0742 687736 Fax: 0742 687838.

Grant Thornton

The U.K. member firm of Grant Thornton International.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

## Helitron Ltd

(In Administrative Receivership)

The Joint Administrative Receivers offer for sale the business and assets of Helitron Ltd. The company manufactures golf bags and associated products together with sun beds.

- Annual turnover approximately £1.5m
- Leasehold premises in Whitbyhampton and Smethwick, West Midlands

For further details please contact G. Ord, Ernst & Young, PO Box 1, 3 Colmore Row, Birmingham B3 2DB. Telephone: 021-626 6262. Fax: 021-626 6305

ERNST & YOUNG

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

## TAYLOR GOTHAM

INSOLVENCY PRACTITIONERS  
The Joint Administrative Receivers, Jamie Taylor FCA, and Peter Gotham FCA offer for sale the Business and Assets of The Edmore Corporation Ltd comprising the following subsidiary companies

BRADFORD MOULDED  
PLASTICS LTD.

- 11 Excellent modern freehold factory in Bradford, West Yorkshire with additional offices and workshops totalling 30,000 sq ft approx
- 11 Fully equipped plant for manufacture of Engineering and Technical Press Mouldings in a range of Thermoset and Thermoplastic materials utilising injection and compression moulders

H. CLARKE  
INSULATIONS LTD

- 11 Freehold factory in Eccles, Manchester providing 25,000 sq ft approx
- 11 Fully equipped plant for production of industrial laminates, fabrications and mouldings for the electrical and engineering industries

For further information please contact

ES & P  
EDWARD SYMONS  
& PARTNERS

Rational House, 64 Bridge Street, Manchester M3 3BN  
Fax: 061-832 2571  
LONDON - MANCHESTER - LIVERPOOL - BRISTOL - SOUTHAMPTON

Tel: 061-832 8454

HEAVY MACHINING COMPANY  
FOR SALE

Non-core division of a recently acquired engineering group is available at a SUBSTANTIAL DISCOUNT on net asset valuation. All proposals will be considered.

- Fully certificated
- Excellent plant & machinery
- Skilled workforce
- 85,000 sq ft

Details: Roschill, Lydiat, Merseyside L31 4JF  
Tel: 051 526 4008 Fax: 051 526 1673

A. ANTHONY ASSOCIATES  
CORPORATE FINANCIAL PLANNING



## Alpha Omega (Engineering) Limited (In Receivership)

Livingston, Scotland

This light engineering fabrication factory mainly provides services to the U.K. off-shore oil industry.

- Freehold premises
  - Factory c. 19,250 sq. ft.
  - Offices c. 3,700 sq. ft.
  - Annual turnover c. £500,000
  - CNC Plasma Cutting and Punching
  - CAD/CAM facility
- For further details contact the Joint Receivers Jonathan Birch, Grant Thornton, 14 Atholl Crescent, Edinburgh EH3 8LQ.

Tel: 031 229 9181. Fax: 031 229 4560.

**Grant Thornton**

The UK's largest firm of Chartered Accountants, Auditors and Tax Advisers, with over 100 offices in the UK and 150 offices in 15 other countries.

## DEVELOPMENT

### HESTON JUNCTION 3, M4

**31.75 ACRES  
FREEHOLD FOR SALE**  
SERIOUS EXPRESSIONS OF INTEREST  
BY FRIDAY 20TH NOVEMBER 1992

Two Main Road Frontages

Adjoining Western International Market  
and Close to Proposed Tesco

Currently in the Metropolitan Green Belt

Strategic Land Opportunity with Development Potential

Ref: JBCAP

**Grimley J R Eve**

071-8951515

10 STRATTON STREET, LONDON W1X 5TD

### CONSERVATORY MANUFACTURER FOR SALE

Substantial and established national conservatory manufacturer seeks buyer or major investor to develop excess capacity and assist diversification.

- \* Turnover £3M plus
- \* Assets £1M plus
- \* Modern freehold factory and offices
- \* M4 corridor
- \* Enormous potential for expansion

Box No A4537, Financial Times, One Southwark Bridge, London SE1 9HL

### CHASE NON-FERROUS METAL COMPANY LIMITED

#### WHITBURN ENGINEERING COMPANY LIMITED

The business and assets of these established companies, specialising in non-ferrous die-casting are offered for sale.

- \* Fully equipped leasehold premises in Enfield, Middlesex
- \* Substantial order book
- \* Turnover of £616,000 in 1991

Details from the Administrative Receiver, R.I.L. Knight, St George's House, Station Approach, Chesham, Bucks, HP82 7AT. Tel: 081 645 6300. Fax: 081 642 7940.

**COOPER PAUL**

CHARTERED ACCOUNTANTS

Authorised by the ICAC to carry on investment business

### 18-Hole Golf Course / Conference Centre for Sale

#### near Frankfurt / Main, Germany

A purchaser is sought for the construction of an 18-hole golf course, with 9-hole pitch and putt, driving range, and clubhouse. A conference centre with overnight accommodation may be incorporated.

Planning consent has already been granted for this pleasant location, in level countryside, extending to 100 hectares (247 acres). Profit projections and design studies are available for the whole project.

**NIC**

International (Deutschland) GmbH  
Business & Property Consultants  
Postfach 10000, D-6000 Frankfurt 90  
Tel: 010 49 69 769 061 Fax: 010 49 69 769 813

### METAL FABRICATED CONSUMER DURABLES

Company manufactures a unique range of branded, metal fabricated consumer products sold via multiple retailers, mail order & export. Modern, well equipped factory (could easily relocate). International marketing deal in place for Award winning product, will produce T/O of £2m. Gross £600k. Company would benefit from additional management & financial resources of larger organisation. Genuine opportunity. Write to Box A4512, Financial Times, One Southwark Bridge, London SE1 9HL

### CARIBBEAN BASED STEAMSHIP/INSURANCE AGENCY, CARGO/NAUTICAL SURVEYORS

and subsidiary engaged in Ship/Industrial repairs with excellent potential for expansion in lucrative tax location seeks merger with MARITIME/INDUSTRIAL group.

Principals only write to Box A4525, Financial Times, One Southwark Bridge, London SE1 9HL

### HAIRDRESSERS Established 30 years.

Busy Times-also Barbershop town. High Street position. Fully staffed. Good lease. Retirement sale. £70,000. Write to Box No. A4426, Financial Times, One Southwark Bridge, London SE1 9HL

### RECEIVERSHIPS/LIQUIDATIONS.

PINK PAGES - New weekly guide to every insolvent co. Direct contact with Liquidators/Receivers. Fully indexed according to company type. Free sample copy (0279) 674962.

### NEVILLE RUSSELL

Fourth Party Electronic Repairs

### FOURTH PARTY ELECTRONIC REPAIRERS

- BS 5750 registered firm
- Established UK & European Market
- Blue Chip customer listing
- Highly skilled technical staff
- T/O £35K 1991

### BUSINESS & ASSETS FOR SALE

Contact Ref: PJP/KS

**ESAP**

**EDWARD SYMONS & PARTNERS**

2 Southwark Street, London Bridge, London SE1 1RQ

Fax: 071-407 6423

LONDON - MANCHESTER - LIVERPOOL - BRISTOL - SOUTHAMPTON

Tel: 071-407 8454

### PLUMBING AND HEATING MERCHANT

Supplying an established base of customer in the South Wales region. Turnover £2.5m GP 19%

Write to Box A4440, Financial Times, One Southwark Bridge, London SE1 9HL

### FOR SALE

Paper and Board International Merchants (Agents)

Well-known Swiss stock corporation, own capital stock, good reputation, well-known in Europe etc. wants.

### SUCCESSOR/CHAIRMAN

Interested gentlemen/companies please write to Box A410, Financial Times, One Southwark Bridge, London SE1 9HL

### UK HOLDING COMPANY HAS FOR SALE

REGISTERED FRENCH COMPANY (S.A.R.L.) BASED IN ANTIBES

Specialises in Yacht/Motor Yacht Rental

Easy to run with Harbour Side office. Always Profitable

An ideal base in the South of France with up to 150 villas available for a UK self-drive programme

Box No A4335, Financial Times, One Southwark Bridge, London SE1 9HL

Genuine enquiries only please

### PROFITABLE LEASING CO

Holding Co wishes to dispose of small non-core leasing subsidiary.

Back to back vehicle leasing to corporate clients, no contract hire/maintenance, no bad debts, no exposure to residual values.

Profitable, generating cash, favourable tax situation. Write to Lab-Craft Ltd, Bilton Road, Waterhouse Lane, Chelmsford, Essex CM21 2UP, quoting ref. FT.

### FOR SALE

Chilled food company located near to London with excellent premises conforming to best modern hygiene standards. Would suit existing manufacturer looking for higher quality premises and for more turnover. Please apply to Box A4428, Financial Times, One Southwark Bridge, London SE1 9HL

### West Germany Furniture Manufacturer

Turnover DM100m, profitable. The owners offer for sale the business and assets of this modern, expansive company. Contact Fax: +44 71 794 6275

### West Germany Manufacturer of Protective Clothes

Turnover DM 15m, profitable. The owner offers for sale the assets and the business of the company. Contact Fax: +44 71 794 6275

### West Germany Private German Bank

with all licences - The owner offers for sale this established old bank with blue chip clients. Contact Fax: +44 71 794 6275

### PUBLISHING COMPANY

Small but profitable publishing company with highly respected trade title. T/O approx £1 million. Low overheads, established 11 years. For further information please write to Box H9445, Financial Times, One Southwark Bridge, London SE1 9HL

### FASHION HOUSE

Aldeburgh, Suffolk Heritage Coast. Retirement sale. High class, old established shop. T/O £350K, N.P. £33K. 1200 sq. ft. plus unused cottage. Fhoed £180,000. Lakey & Co (0394) 273371.

### WEST GERMANY Confectionery Company

Turnover DM 30m, profitable. The owner offers for sale the business and assets of the company. Contact Fax: +44 71 794 6275

### HOME-BASED c. £160,000 SE England. Au pair

placement agency, ideal homebased office. No languages or selling. Post telephone only. Please call. Write to Box A4528, Financial Times, One Southwark Bridge, London SE1 9HL

### OFFICE EQUIPMENT

The London Computer Auction Rooms Ltd

392 Finchley Rd, London, NW2 2HR

Tel: 071 794 1116 Fax: 071 794 1889

### COMPUTER AUCTION

SUNDAY 18th October at:

The Middlesex University White Hall Lane LONDON N17

over 1500 lots including: new 386 notebook & 486 desktop VGA systems, PostScript & other laser printers, Late version software, Faxes, copiers & other business equipment, etc.

Sale starts 11:00 am, view from 8:30 am

Phone for a free catalogue

### SEMINARS

How to Franchise Your Business

Seminars for potential franchisees

London, November 4, 1992

Sponsored by *Start Magazine* and *Franchise World Magazine*

Guesture from 081 707 1371

Free 1992 Franchise Directory, £3.50

### FRANCHISE WORLD

How to Franchise Your Business

Seminars for potential franchisees

London, November 4, 1992

Sponsored by *Start Magazine* and *Franchise World Magazine*

Guesture from 081 707 1371

Free 1992 Franchise Directory, £3.50

### FINANCIAL TIMES

Editorial & Business Services

071-875 3308

For further information or to advertise in this section please contact

Melanie Mills on 071 875 3308

071-875 3308

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### BUSINESS WANTED COMPUTER TRAINING

A subsidiary of an expanding listed group seeks to acquire for cash, quality UK businesses with:

- a bias towards MS DOS and particularly Unix
- their own course material and ideally a training facility
- an established customer base and preferably an accredited status
- a management team looking to grow the business as an autonomous division
- a turnover between £1 million and £5 million and preferably profitable

Vendors and their advisers should telephone either Tim Lyle or Anne Jordan on 071-388 4242 in absolute confidence. Your identity will not be revealed to our client without your permission.

Livingstone Fisher plc

Acree House, 11-15 William Road, London NW1 3ER

**LIVINGSTONE FISHER**

The Acquisition & Disposal Specialists

A Member of FIMBRA

### BUSINESS WANTED

#### Energy Management Companies

Our client, an expanding listed group, seeks to grow by acquiring an energy management company which:

- may be involved in some of the following: design, energy surveys, target setting and monitoring, tariff analysis, negotiations with utilities, operation and maintenance and CHP systems
- has minimum turnover of £2 million
- must be trading profitably
- regards continuity of management as essential

Vendors and their advisers should telephone either Marcus Moir or Ian Smith on 071-388 4242 in absolute confidence. Your identity will not be revealed to our client without your permission.

Livingstone Fisher plc

Acree House, 11-15 William Road, London NW1 3ER

**LIVINGSTONE FISHER**

The Acquisition & Disposal Specialists

A Member of FIMBRA

### Interior Design & Build Business Required

Our client company is seeking to acquire a business engaged in the design and fitting out of office interiors. Location anywhere in the UK; Minimum turnover £5m. Interested parties should reply to: Guy Warrington, Mergers & Acquisitions Dept., KPMG Peat Marwick, PO Box 488, 1 Puddle Dock, Blackfriars, London EC4V 3PD. Tel: 071 236 8000.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

**KPMG** Corporate Finance

### BUSINESSES WANTED

We are looking to invest a significant '£ six figure sum' for an ongoing company where our overcapacity in administration/financial control (Central London) could be of use.

Discretion guaranteed. Principals only please.

Box No A4538, Financial Times, One Southwark Bridge, London SE1 9HL

### Contract sought with

business seeking development capital on outright sale. Call (0792) 474111. Fax (0792) 474112. P.F.M. Mergers, Acquisitions, Private Equity Funding.

### TECHNOLOGY LICENSING

and exploitation company wishes to expand by: - acquiring a related business - providing low cost management of existing licence portfolio - acquiring new core projects. Telephone or fax: 0494 331121

### BUSINESS OWNERS!

You want to sell but you don't believe you can or quickly and without disruption or losing value. I did, and now want back in. Any field considered. Fax: 0582 504736

### WANTED SMALL PUBLISHING COMPANY

or majority holding in same. £0.3M available. Fax: 081 908 1704

### AIRCRAFT FOR SALE

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CURRENT AVAILABILITY

CORPORATE AIRCRAFT SALES, PURCHASE AND CHARTER

CORPORATE AIRCRAFT: Gulfstream II, Gulfstream III & IV, Cessna 540, Cessna 441, Cessna 440, Cessna 440Q, Cessna 440T, Cessna 440S, Cessna 440L, Cessna 440M, Cessna 440N, Cessna 440O, Cessna 440P, Cessna 440Q, Cessna 440R, Cessna 440S, Cessna 440T, Cessna 440U, Cessna 440V, Cessna 440W, Cessna 440X, Cessna 440Y, Cessna 440Z, Cessna 441, Cessna 442, Cessna 443, Cessna 444, Cessna 445, Cessna 446, Cessna 447, Cessna 448, Cessna 449, Cessna 450, Cessna 451, Cessna 452, Cessna 453, Cessna 454, Cessna 455, Cessna 456, Cessna 457, Cessna 458, Cessna 459, Cessna 460, Cessna 461, Cessna 462, Cessna 463, Cessna 464, Cessna 465, Cessna 466, Cessna 467, Cessna 468, Cessna 469, Cessna 470, Cessna 471, Cessna 472, Cessna 473, Cessna 474, Cessna 475, Cessna 476, Cessna 477, Cessna 478, Cessna 479, Cessna 480, Cessna 481, Cessna 482, Cessna 483, Cessna 484, Cessna 485, Cessna 486, Cessna 487, Cessna 488, Cessna 489, Cessna 490, Cessna 491, Cessna 492, Cessna 493, Cessna 494, Cessna 495, Cessna 496, Cessna 497, Cessna 498, Cessna 499, Cessna 500, Cessna 501, Cessna 502, Cessna 503, Cessna 504, Cessna 505, Cessna 506, Cessna 507, Cessna 508, Cessna 509, Cessna 510, Cessna 511, Cessna 512, Cessna 513, Cessna 514, Cessna 515, Cessna 516, Cessna 517, Cessna 518, Cessna 519, Cessna 520, Cessna 521, Cessna 522, Cessna 523, Cessna 524, Cessna 525, Cessna 526, Cessna 527, Cessna 528, Cessna 529, Cessna 530, Cessna 531, Cessna 532, Cessna 533, Cessna 534, Cessna 535, Cessna 536, Cessna 537, Cessna 538, Cessna 539, Cessna 540, Cessna 541, Cessna 542, Cessna 543, Cessna 544, Cessna 545, Cessna 546, Cessna 547, Cessna 548, Cessna 549, Cessna 550, Cessna 551, Cessna 552, Cessna 553, Cessna 554, Cessna 555, Cessna 556, Cessna 557, Cessna 558, Cessna 559, Cessna 560, Cessna 561, Cessna 562, Cessna 563, Cessna 564, Cessna 565, Cessna 566, Cessna 567, Cessna 568, Cessna 569, Cessna 570, Cessna 571, Cessna 572, Cessna 573, Cessna 574, Cessna 575, Cessna 576, Cessna 577, Cessna 578, Cessna 579, Cessna 580, Cessna 581, Cessna 582, Cessna 583, Cessna 584, Cessna 585, Cessna 586, Cessna 587, Cessna 588, Cessna 589, Cessna 590, Cessna 591, Cessna 592, Cessna 593, Cessna 594, Cessna 595, Cessna 596, Cessna 597, Cessna 598, Cessna 599, Cessna 600, Cessna 601, Cessna 602, Cessna 603, Cessna 604, Cessna 605, Cessna 606, Cessna 607, Cessna 608, Cessna 609, Cessna 610, Cessna 611, Cessna 612, Cessna 613, Cessna 614, Cessna 615, Cessna 616, Cessna 617, Cessna 618, Cessna 619, Cessna 620, Cessna 621, Cessna 622, Cessna 623, Cessna 624, Cessna 625, Cessna 626, Cessna 627, Cessna 628, Cessna 629, Cessna 630, Cessna 631, Cessna 632, Cessna 633, Cessna 634, Cessna 635, Cessna 636, Cessna 637, Cessna 638, Cessna 639, Cessna 640, Cessna 641, Cessna 642, Cessna 643, Cessna 644, Cessna 645, Cessna 646, Cessna 647, Cessna 648, Cessna 649, Cessna 650, Cessna 651, Cessna 652, Cessna 653, Cessna 654, Cessna 655, Cessna 656, Cessna 657, Cessna 658, Cessna 659, Cessna 660, Cessna 661, Cessna 662, Cessna 663, Cessna 664, Cessna 665, Cessna 666, Cessna 667, Cessna 668, Cessna 669, Cessna 670, Cessna 671, Cessna 672, Cessna 673, Cessna 674, Cessna 675, Cessna 676, Cessna 677, Cessna 678, Cessna 679, Cessna 680, Cessna 681, Cessna 682, Cessna 683, Cessna 684, Cessna 685, Cessna 686, Cessna 687, Cessna 688, Cessna 689, Cessna 690, Cessna 691, Cessna 692, Cessna 693, Cessna 694, Cessna 695, Cessna 696, Cessna 697, Cessna 698, Cessna 699, Cessna 700, Cessna 701, Cessna 702, Cessna 703, Cessna 704, Cessna 705, Cessna 706, Cessna 707, Cessna 708, Cessna 709, Cessna 710, Cessna 711, Cessna 712, Cessna 713, Cessna 714, Cessna 715, Cessna 716, Cessna 717, Cessna 718, Cessna 719, Cessna 720, Cessna 721, Cessna 722, Cessna 723, Cessna



## ARTS

## Nureyev's 'Bayadère' just hints at riches

Clement Crisp attends the opening performance of the Paris ballet season

The ballet season began at the Paris Opéra on Thursday night with Rudolf Nureyev's production of Petipa's Indian spectacular, *La Bayadère*. This has been a long-cherished project for Nureyev, but in view of his ill-health the staging can best be considered a sketch of what he might have achieved under happier circumstances. With sets by Ezio Frigerio and costumes by Franca Squarciapino, it looks opulent enough to have emptied a Rajah's treasury down to the last emerald. In interpretation, though, it only hints at riches: the Opéra dancers don't yet know how to wear these jewels of dance and drama.

When Nureyev first mounted part of *Bayadère* in the West he put on the "Shades" scene for the Royal Ballet in 1963 - he was giving us the best of the work. The rest had been much edited and revised in Leningrad, with a massive cut in 1919 when post-revolutionary stringencies lopped off the last act so that the story lost its denouement. Six subsequent producers laid hands on the text: what we see today at the Kirov Theatre is far from Petipa's original. It is nonetheless sustained, given credibility, by weight of performance tradition and the immense dignity of the Kirov dancers' style. We believe, because their every action speaks of belief.

For Paris, Nureyev has reproduced the Kirov version, with the assistance of the distinguished Petersburg ballerina Ninel Kurgapkina. He had intended, I believe, to provide his own recension of the last fourth act - as did Natalya Makarova in her "complete" staging which we know with the Royal Ballet and with American Ballet Theatre - but circumstances precluded this. There are, otherwise, only a few small additions owed to Nureyev: the Minkus score (replete with those traditional Hindu waltzes) has been lightly cleaned by John Lanchbery, and is admirably played under Vello Pahn's baton.

When he became director of the Opéra Ballet in 1983, Nureyev put on *Raymonda* as his first production, and inculcated in his casts a sense of the

harmonies of Petipa style which gave a commendable seriousness to the ensemble. This quality was too little apparent in the new *Bayadère*. Save for Elisabeth Platel's Gamzatti and Laurent Hilaire's Solor, interpretation was light-weight, self-centred. Visual extravagance seemed to underline a lack of faith in the text, as if luxury would impress where performance failed, and gorgeous trappings disguise a dramatic void. Frigerio has provided grand and somewhat claustrophobic settings for the Rajah's palace, and an oppressive facade for the temple in the crucial first scene. (Pier-Louis Samartian's painted back-cloths for Makarova's staging are to be preferred. E They show the locales specified in Petipa's original libretto, and echo the production strategies of the Kirov version - whose ravishing scenery dates from 1900). The jungle vista in which Frigerio places the Shades is, however, most poetic; and Solor has a splendid property elephant - as in Petersburg - for his entrance in Act 2.

Franca Squarciapino has plundered the east for fabrics, and for decorative ideas - the priests wear what look like small golden Burmese temples on their

heads. Silk and sequins, gold thread and pungent Indian dyes, gleam and blaze; fantasy rather than historical probability is the key. Thus accoutred, the Opéra dancers turn drama into a dress parade. Wearing tinsel and glitter, they propose tinsel and glitter in playing. A Russian Nikiya, emerging from the temple for the first time, carries her fate and the whole action of the ballet with her, as we know from Makarova and Asymuratova. It is this vital sense of purpose that must now be given to the Opéra casts as they start to explore *La Bayadère*. On Thursday the soloists in the *Grand Pas* and in the Shades scene offered vivacity instead of harmony; the Chief Brahmin was putative incarnate; the Rajah had the nobility of a used-car salesman involved in a dodgy deal. Of course, in physical expertise and elegance of manner the Opéra dancers are magnificent; their redoubtable skills, though, seem hardly to impinge upon *La Bayadère*.

The Nikiya was Isabelle Guérin. Her reading was conscientious, but the heart of the role was untouched. (I wish she could see the spiritual fervour that fires Asymuratova's playing.) Even her

superbly easy account of the Shades scene was oddly unmoving, poetry lost amid flawless pirouettes. Happily, Elisabeth Platel has the physical and emotional assurance that brings Gamzatti to life. Whether glaring balefully at the end of the first act as she meditates vengeance on Nikiya - curtain-fall frozen by her basilisk gaze - or showing a radiant assurance in the *Grand Pas*, she is mistress of the role. Laurent Hilaire is a fine Solor, bold in presence as in dance, and with a refinement of manner that compels our belief in this warrior hero.

Since his earliest appearances in the West, the power of ballet's traditions has ever concerned Nureyev. In *La Bayadère*, as in his other classic stagings, he asserts the continuing potency of the old repertoire and of the academic style. In this last gift to the Opéra, he reaffirms his concern: his dancers have yet to comprehend the grandeur of the example he has given them.

*La Bayadère* continues in performance at the Palais Garnier, Paris, until the end of October.



Eduardo Chillida with his 'Mural G-235' in the background

## Imaginative implication of the monumental

The Catalan sculptor, Eduardo Chillida, is now at 68 firmly established as one of the great artists of the post-war period, widely and regularly exhibited on the continent and in the US over four decades. Yet in Britain one would hardly know it, until the autumn of 1990, when the South Bank Centre made magnificent amends in giving him a full-dress retrospective at the Hayward. Yet even then an exhibition as physically beautiful and impressive in its installation was shamefully neglected critically and undervalued. Any Chillida show is therefore still a major and remarkable event, and this at Annsley Judd, only the fourth in London in his long career, all the more to be welcomed.

This present show of recent work is entirely in the character of the whole oeuvre. It includes nothing on a truly monumental scale, yet the free-standing pieces are weighty enough, and even the tiniest of the maquettes, or the most delicate of the paper reliefs, carry all the imaginative implication of the monumental. And it is all extremely beautiful.

He is a carver and a modeller, never the assembler or collageist, even though much of his material may only be cut or bent by the heaviest industrial equipment. The sense is always of the object made directly under the artist's own hand. The imagery is nominally abstract and unspecific, referring to nothing outside itself, yet the carvings offer spaces to enter and inhabit in the imagination, the metal arms and fingers writhe and twist, inviting a real embrace. Human in scale, directly active and physical in their engagement, these things tell us that nothing that touches our experience can be truly abstract.

Does this reach to the nub of

the problem? To be accepted as the thoroughly modern artist in official eyes, must one stand back from the material and the making of the work and any intuitive development in favour of a coldly cerebral, theoretical engagement? But Chillida has ever been his own man, a thoroughly modern artist yet sublimely indifferent to the supposed imperatives, the ever-changing orthodoxies of avant-garde and critical fashion. Such is his strength, which is why he is so good and, in the longer term, will surely be seen to be so significant an artist of our time.

Igor Mitoraj, the younger artist by 20 years, was born in Germany during the war and

**William Packer discusses the sculptors Eduardo Chillida and Igor Mitoraj**

brought up in Poland. He now divides his time between Paris and his studio at Pietrasanta, near the marble quarries of Carrara. He too is a carver and a modeller, and his work, currently on show at the Yorkshire Sculpture Park and three London galleries, is nothing if not figurative. He derives his imagery from classical examples and is particularly intrigued by the isolated and portentous, often massive fragment - the foot of some vanished colossus or perhaps the mask, the "shattered visage" of old Ozymandias, with its "frown, and wrinkled lip, and sneer of cold command". A head is draped and bound into anonymity; a group of heads, broken and split, gaze calmly out upon the world; a headless torso in its breastplate rises monumentally on its high plinth; androgynous angels stand quietly together; a high-stepping centaur, a head peering from

its belly, strides out across the hillside.

This is neo-classicism revived not as principle but as romantic day-dream that frequently comes perilously close to kitsch indulgence and sentimentality. Mitoraj is no Canova, and the marble carvings especially have much of the quality of Victorian funerary statuary, more worthily competent than convincing. And yet there remains a certain imaginative potency that, in the more successful pieces, is very strong.

There is much in all four shows for an English sensibility to resist, the sickness the overall air of cultural chic. But the prejudice should be resisted, for it is unfair. As a modeller, in the terracottas and the cast bronzes, Mitoraj shows himself to the greater advantage, especially so in the more intimate pieces. The touch is sure and lively, the observation acute, the realisation, for all the symbolic adaptation, distortion and fragmentation, close to the physical reality presence of the human model. It would seem that in this newest work, despite all the success of public commissions on the largest scale, Mitoraj is still growing rapidly as an artist and moving in unexpected directions. These several shows make us look forward to whatever comes next.

Eduardo Chillida: Annsley Judd Fine Art, 23 Dering Street W1, until November 14; Igor Mitoraj: Yorkshire Sculpture Park, West Bretton, West Yorkshire, until spring 1993; supported by The Henry Moore Foundation, Visiting Arts & the European Arts Festival; also at the Academia Italiana, 24 Rutland Gate SW7, until November, supported by the Arts Council of Great Britain; the Berkeley Square Gallery, 23a Brompton Street W1, until October 14; the Plaza, 81 James's SW1, until December.

## Concerts/Max Loppert Latin-American fiesta

Columbus's arrival in the New World 500 years ago may not have been a cause of unequivocal celebration in the world outside, but in the world of music it provided the excuse for the presentation of New World-related compositions in big, enjoyable splashes. On Sunday - Columbus Day itself - Radio 3 devoted 14 hours of its schedule to a continuous stretch of live concerts from around the world; the chamber group Lontano, on air from London from two to three in the afternoon, made their contribution (of music by Villa-Lobos, Ravel, Debussy, and others) to the climax of a four-concert series entitled "A Fiesta of Latin-American Music".

The theme of this series, devised by the Lontano conductor Odaline de la Martinez, was the exploration of the musical relationship between the European and American cultures - a theme loose enough to allow an easy mixture of styles, with brightness of colour and sharp rhythmic definition as common factors. On Tuesday at the ICA, in a programme featuring the Argentinean Betsy Schramm, the Argentinian Michael Rosas Cobian and the first two parts of Colin Matthews's impressive chamber epic *The Great Journey*, Lontano made a particular success of *Going with the Grain* (1991), for solo marimba and small ensemble, by the young English composer Martin Butler.

In common with Butler's *O Rio*, a highlight of the 1991 Albert Hall Proms series, this piece delights the ear through the way of gentle syncopated rhythms - identifiable if not pin-down-ably Latin - and the parallel teasing-out of seductive colour-patterns. It is a kind of concerto for marimba (brilliantly played by Richard Benjafield) without the element of battle between soloist and accompaniment usually associated with the concerto form; and its exoticism is fully absorbed into the fabric of the invention, not facetiously tacked on.

On Saturday at the Queen Elizabeth Hall, Lontano were joined by the London Chamber Symphony for the third (1988) of Villa-Lobos's *Bachianas Brasileiras* - the one with an elaborate solo piano part (played here by Gilberto de Mattos) - in which jungle bird-song and neo-Baroque musical forms achieve a rascally appealing marriage. The British premiere of *Algebra on Fire* (1991) by the Brazilian Alexandre Viana attempted an analogous confrontation of modern technology (including a role for computer) and instrumental ensemble - of, as it were, European rational discourse and Latin irrational imagination. The experience, full of dramatic potential and dark, very textures, was hampered by the recourse to amplification, which rendered everything monochromatically loud.

At the Barbican on Saturday, Simon Rattle and his City of Birmingham Symphony enjoyed another of their resounding triumphs. The *Pied de résistance* was Szymanowski's Violin Concerto no. 1, with Thomas Zehetmair as a superb soloist, but the other performances on offer were anything but mere fill-ups. In particular Bartók's Concerto for Orchestra, nowadays a familiar war-horse, galloped into newly vital life. Rattle had ensured maximum horsepower for it: twelve cellos, for example - which paid sonorous dividends in the crucial low-string recitatives. His own imaginative wrestling with Bartók's score secured prizes beyond the merely aural.

I should reckon Rattle's account of Mozart's Symphony no. 39 as carrying roughly 2½ times the communicative power of Previn's performance with the LSO a week earlier. That was "respectful", by contrast Rattle and the CSBO were lithe and constantly alert, every movement stamped with muscular character. As for the Szymanowski concerto, Zehetmair and Rattle gave it the rapturous shove it deserves toward the permanent repertoire. Some years back, William Mann described it as the most sheerly beautiful music ever written. In a performance like this, it seems just about that: not only because Szymanowski's opulent orchestra is so exquisitely balanced against the soloist's exacerbated lyricism, but because the score is so cogently knit around its hyper-poignant harmonic nodes.

Zehetmair was cagey about

## Barbican triumphs for Rattle and Uchida

those. With the recurring "motto" theme - a descending five-note phrase which takes a heart-stabbing upward wrench toward its sixth note - he played mock-innocent: no freighting of the final note, which he left the orchestra to colour. Otherwise he sang out with thrilling confidence, eloquent in the high ledger-lines and commanding in throaty, rough-bowed passages at the lower extreme, appealingly frail in pianissimo confessions. Under Rattle the orchestra matched him, though in a bright-eyed, hard-edged focus that lost the ultimate degree of heady suggestiveness. We ought to be seduced, not rampantly overwhelmed. Yet Rattle remains our leading advocate of Szymanowski's cause - for he gives the music full value as music, and not just as a musical equivalent of nitrous oxide.

**David Murray**

The Barbican Hall remains an unfriendly place in which to hear pianists, diffuse and hard to focus, but Mitsuko Uchida's recital there on Sunday afternoon was an unequalled delight. There are few contemporary pianists whose encounters with untold works are so eagerly awaited as hers; every item she adds to her programmes becomes a voyage of

discovery which carries its own invitation.

On this occasion the unknown territory was the expanse of Schubert's G major Sonata; Uchida's performance, complete with exposition repeat, was the focus of the second half of her recital. It was unfolded as a sequence of beautifully fashioned panels. The first movement, taken at a very broad moderate (though with nothing like the slowness of Richter's famous performance), emerged with perfect naturalness, the Andante stirred into fierce life for its central section, the minuet enclosed a trio of musical-box delicacy; each reprise of the final rondo offered a different perspective, a change of lighting and emphasis.

Immediately before the Schubert Uchida had played Weber's Variations Op.27, gradually building the tension until she could diffuse it all magically in the coda, and after it offered as an encore another perfectly chiselled miniature, the second of Schumann's Op. 10 set. The first half of the recital had been devoted to Beethoven and Schumann - the E minor Sonata Op. 90, launched with tremendous élan and carried along in a series of bold imaginative sweeps, and a Carnival conceived, it appeared, as a single seamless span that scarcely paused for reflection. On this kind of form Uchida is the most irresistible Schumann player imaginable, every musical image burnished bright and laced through with the most intense threads of lyricism.

**Andrew Clements**

## INTERNATIONAL ARTS GUIDE

## BRUSSELS

Palais des Beaux Arts 20.00 Paul Danieles conducts Orchestra of the Monnaie in works by Ravel, Jonathan Harvey and Berlioz. Fri: Nikolaus Harnoncourt conducts Chamber Orchestra of Europe in works by Beethoven, Haydn and Schumann. Next Tues: Yehudi Menuhin directs Camille Saint-Saëns. Oct 27 in Monnaie: first night of new production of *Un ballo in maschera* (219 6341)

## CHICAGO

**OPERA**  
Tonight's performance in the Civic Opera House is the final one this season of Rossini's *Otello*. Tomorrow and Sat: The Bartered Bride with Barbara Daniels and Neil Rosenheim. Fri: Elektra with Eva Marton, and Leonie Rysaneck. The Smetana and Strauss continue in repertoire till the end of the month, when William Bolcom's *McTeague* receives its world premiere (332 2244)

**CHICAGO SYMPHONY**  
Neeme Järvi conducts concert in Orchestra Hall on Thurs, Fri, Sat and next Tues, featuring works by Martinu, Elmer, and Dvořák. Erich Leinsdorf conducts the following two weeks of concerts (435 6866)

## LYON

Auditorium Maurice Ravel  
Tonight, Fri and Sun: Kent Nagano conducts Kiju Yoshida's Opéra de Lyon production of *Madama Butterfly*, with Michèle Nakamura and Richard Stilwell. Oct 22, 23, 24: Martha Argerich is piano soloist with Orchestre National de Lyon (7860 3713)

## MUNICH

**OPERA/BALLET**  
Tomorrow and Fri in Cuvillies-Theater: staged performances of Mozart's *Apollo et Hyacinthus* and *Il sogno di Scipione*. Next week: choreographies by Uwe Scholz and Hans van Manen. Sat and next Wed in Prinzregententheater: concert performances of Verdi's *Otello* (221316)  
**CONCERTS**  
Herkulessaal der Residenz Eliso Virsaladze gives a piano recital tonight at 20.00 (983898). Sat: Handel's Messiah. Sun: Haydn's The Seasons. Mon: Pekinel Sisters. Oct 27: Andrei Gavrilov piano recital (299901)  
Gasteig on Thurs and Fri, Lorin Maazel conducts Bavarian Radio Symphony Orchestra in works by Dukas, Prokofiev and Brahms

(4898 614). Sat: Jiri Belohlavek conducts Czech Philharmonic Orchestra in works by Smetana, Dvořák and Franck (983898). Sun: Heleen Kwon, Hans Peter Blochwitz and Harry Peeters sing opera arias. Mon: Justus Frantz conducts Sinfonia Varsovia. Tues: Emerson Lake and Palmer. Oct 22: Dave Brubeck. Oct 23: Keith Jarrett. Oct 26: Manhattan Transfer. Oct 28: St Petersburg Philharmonic (299901)

## THEATRE

The Kammerspiele repertoire includes Ibsen's *When We Dead Awaken*, Shakespeare's *Much Ado About Nothing* and *King Lear* (23721 326). Deutsches Theater has the Maly Drama Theatre of St Petersburg in *Gaudemus* (fends Sun), followed by the Broadway musical *42nd Street* opening on Oct 23 (5144 380). The Residenztheater has Ibsen's *Death and the Maiden* (225754)

## PARIS

**DANCE**  
Rudolf Nureyev's new Opéra Ballet production of *La Bayadère* can be seen at Palais Garnier till Oct 31. This week's performances are tomorrow, Thurs and Sat (4017 3535). Roland Petit's Ballet National de Marseille is in residence at the Opéra Comique, daily till Oct 30 except Oct 19, 20, 25 and 26 (4286 8863). Oct 21-26 at Châtelet: William Forsythe's *Frankfurt Ballet* (4028 2840)  
**OPERA**  
Gwyneth Jones sings the title role in a revival of David

Pountney's production of *Elektra* tonight and Fri at the Bastille. The production runs with cast changes till Jan 25. Tomorrow, Thurs and Sat: Honnegger's *Thurs and d'Arc au bûcher*. Oct 30: Cecilia Bartoli recital (4001 1616). Tomorrow and Fri at Châtelet: Dmitri Hvorostovsky sings title role in final performances of *Adolf Dresen's* production of *Eugene Onegin*, conducted by Semyon Bychkov (4028 2840)

## CONCERTS

Châtelet Schumann cycle: Trio Fontenay plays piano trios tomorrow and Fri (at the Auditorium). Marek Janowski conducts the Orchestre de France and Chorus of Radio France in the oratorio *Das Paradies und die Peri* on Thurs. Jeffrey Tate conducts the *Scenes from Faust* on Oct 29. Other events: on Sat, Pierre Boulez conducts Ensemble InterContemporain. Sun: Modern Jazz Quartet. Next Mon: William Christie conducts Les Arts Florissants. Next Tues: Melos Quartet opens Beethoven quartet cycle (4028 2840). Salle Pleyel Thurs: Nikolaus Harnoncourt conducts the Chamber Orchestra of Europe in works by Haydn, Beethoven and Schumann (4561 0630). Fri: Zdenek Kocler conducts the Orchestre National de France in works by Smetana, Martinu and Dvořák, with violin soloist Josef Suk (4230 1516). Sun morning at Salle Gaveaux: Tabas Zimmermann, accompanied by Tizmon Barbo, plays viola sonatas (4953 0507). Next Tues: Andras Schiff plays recital. Oct 23: Alfred Brendel (4561 0630)

## THEATRE

Three French-Canadian Shakespeare productions directed by Robert Lepage can be seen at Centre Pompidou over the next two weeks: *Macbeth* on Thurs, Fri and Sat, followed next week by *Coriolanus* and *The Tempest* (4274 4218). Bob Wilson's Gertrude Stein theatre piece *Doktor Faustus Lights the Lights* opens on Thurs at Théâtre de Gennevilliers and runs daily till Oct 31 (4793 2690). A new production of *The Lower Depths*, Maxim Gorki's portrait of misery and failures in Moscow's squalor, is showing daily except Mon at Mogador (4878 0404). Edward Bond's new play *The Company of Men* runs till Oct 24 at Théâtre de la Ville (4274 2277).

## WASHINGTON

**KENNEDY CENTER**  
Jeremy Lowenthal gives a piano recital tomorrow evening in the Terrace Theater. Thurs: Guarneri String Quartet. Sat afternoon: piano recital by Gwendolyn Mok. Sat evening: the music of Benny Goodman. Sat evening in Concert Hall: Anne Sophie Mutter plays violin sonatas by Ravel, Schubert and Beethoven. Oct 21-25: Mark Morris Dance Group. Oct 24: James Galway. Oct 28-31 Washington Ballet. Nov 1: Itzhak Perlman. Nov 4: Kirov Opera Orchestra (467 4600)  
**BALTIMORE SYMPHONY**  
Christopher Seaman conducts Brahms' German Requiem on Fri, Sat and Sun afternoon at Joseph Meyerhoff Symphony Hall. Oct 29, 30, 31: Zoltan Kocsis

plays Bartók's Third Piano Concerto (410-783 8000)  
**JAZZ/BLUES**  
Blues Alley Jazz Supperclub This week: vocalist Karen Akers, daily from Thurs to Sun. Next week: guitarist Charlie Byrd (1073 Wisconsin Ave, in the alley, 337 4141)  
Barnes of Wolf Trap Thurs: Bill Frisell Band, modern jazz/rock/guitar. Fri: Dirty Dozen Brass Band. Sat: John Eaton, music by Kern and Berlin. Sun: Barenberg, Douglas and Myer, acoustic bluegrass, jazz and classical. Music from 20.00 (703-218 6500)

## ZURICH

Opernhaus Tomorrow: Der Rosenkavalier. Thurs, Sat and next Thurs: Semiramide. Fri: Die Zauberflöte. Sun: Il Pirata. Oct 24: first night of new production of *Nutcracker* (262 0909)  
Tonhalle Franks Brügglen conducts Tonhalle Orchestra tomorrow in symphonies by Haydn and Beethoven. Thurs: Howard Griffiths conducts Zurich Chamber Orchestra in works by Schoeck, Mozart and Schubert. Next week: Walter Weller conducts four concerts featuring music by Beethoven and Mozart (261 1600)  
Schauspielhaus Tonight's performance is Shakespeare's *A Midsummer Night's Dream* directed by Peter Wood. Dürrenmatt's *The Physicists* is revived on Sun. A new production of *Bohème* Strauss' play *Kallidewy* Farce opens on Oct 31 (221 2283)

## European Cable and Satellite Business TV

(all times CET)

## MONDAY TO FRIDAY

CNN  
0900-2000, 2300-2350 World Business Today - a joint FT/CNN production with Grant Perry and Colin Chapman  
Super Channel  
0700-0710, 1230-1240, 2200-2240 FT Business Daily  
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly - global business report with James Ballini  
0710-0730, 1240-1300 (Wed) FT Media Europe  
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report  
2240-2248 FT Report

Sky News  
2030-2100, 2230-2300 FT Business Weekly

## SATURDAY

CNN  
0900-0930, 1900-1930 World Business This Week - a joint FT/CNN production  
Super Channel  
0830-0900 FT Business Weekly

Sky News  
1130-1200, 1730-1800 FT Media Europe

## SUNDAY

CNN  
1000-1100, 1800-1930 World Business This Week

Super Channel  
1900-1930 FT Business Weekly

Sky News  
0130-0200, 0530-0600 FT Media Europe  
1330-1400, 2030-2100 FT Business Weekly



## FINANCIAL TIMES

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Tuesday October 13 1992

## Lamont tries to clarify

"TRUST US," is what, in effect, the chancellor told the Treasury and Civil Select Committee yesterday. Trust us to hear down on inflation. Trust us to read the signs given by the monetary indicators. Trust us to exercise judgment wisely. But no British government can be trusted with the exercise of such complete discretion.

The chancellor of the exchequer has ruled out return to the exchange rate mechanism (ERM) until several conditions are met, the most important being that "the requirements of German monetary policy and those of the UK must come closer into line". Official German interest rates may soon fall further. British monetary policy has already eased. The chancellor could soon decide that the "requirements of German monetary policy and those of the UK" are closer in line.

Would he be right to do so? Probably not, with equal emphasis on the "probably" and the "not". ERM membership has not provided the best possible monetary regime for the UK. But it might well be better than the policy that the government will actually pursue. Nothing in Mr Lamont's discussion stilled worries on this score.

Mr Lamont stressed that monetary policy has to be judged on its merits. He is right. But the more judgmental the policy, the more necessary it is for the policymaking institutions to be both focused in their goals and open in their procedures. A chancellor of the exchequer working through the Treasury cannot meet these requirements.

The addition of a target for inflation of 1-4 per cent hardly helps. It is worth remembering, after all, that the former chancellor, Mr Nigel Lawson, whose policies ultimately led to inflation of

more than 10 per cent, announced in 1986 that he intended to eliminate inflation in the next parliament.

The gap between long-term interest rates on conventional and index-linked bonds - now some 5 1/2 per cent - makes it clear that investors do not trust Mr Lamont's 4 per cent target. Let alone the 2 per cent he has set as his longer-term aim. They must be right not to do so.

So many targets - that for a balanced budget or, more recently, for zero inflation - have come and then gone. The government felt unable to raise interest rates in the summer to defend the ERM parity, even though the UK's inflation performance was still mediocre by European standards. Then, following the abrupt exit from the ERM, the chancellor cut interest rates as soon as he decently - or indecently - could. Above all, investors know that Mr Lamont is subject to fierce pressures to declare victory over inflation too soon.

The only thing the government could plausibly do to increase its credibility is what it is apparently determined not to do: to tie its own hands. The government's determination to avoid making the formation of monetary policy more independent lowers its credibility, makes the cost of achieving low inflation higher and so, in turn, renders the target still less credible.

Whatever the rhetoric about a new, more open approach to policymaking, the UK is back to policy choices, under day-to-day political pressures, among multilateral indicators. In the pursuit of imprecise goals. Existing institutional arrangements will not deliver the credible policymaking that the UK needs. It is time to shift to the kind of arrangements that might.

## A bluff too far

IF THE dire warnings currently emanating from Paris are any guide, the future of the world trading system now hangs on the whims of a million Frenchmen. That is only a mild exaggeration of the absurd backdrop to this week's farm trade negotiations between the European Community and the US in Brussels.

The grounds clearly exist for a deal on agriculture which would unlock the Uruguay round of multilateral trade negotiations; if the talks fail, it will be due either to a failure of nerve by the EC or to the French government's fear of its farmers. For the sake of a world economy in which the prospect of a Gatt deal is a rare glimmer of light, they must be allowed to succeed.

Both the European Commission (anxious to demonstrate that the EC is not completely paralysed by its Maastricht problems) and President George Bush (desperate for a boost to his sagging political fortunes) perceive a narrow opportunity for a deal before the US presidential election on November 3. An agreement now on agriculture would in theory clear the decks for rapid progress on other outstanding Gatt issues early next year. Without one, the Uruguay round will - *de facto* if not *de jure* - be dead, and a rash of tit-for-tat trade wars will probably ensue.

Hence the shrill noises from France in recent days. President François Mitterrand knows that

his European partners want these talks to succeed, if only because a weakened Mr Bush will be more accommodating than a President Clinton.

He is also in no doubt that a Gatt deal which includes a mandatory reduction in subsidised farm exports will enrage his farming community and make his Socialist government all the more certain of defeat in elections next March. His answer is to threaten to block whatever compromise is hammered out in Brussels.

Mr Mitterrand may be bluffing. Under the EC treaties, Community commercial policy is decided by a qualified majority vote. France can temporise in the hope that Germany will shy away from an intra-EC confrontation, but without German support, the only way France can stop this deal is by exercising a rarely used and legally questionable veto on grounds of vital national interest. It is hard to see how a group whose output accounts for such a tiny proportion of French GDP can plausibly be placed in that category.

For the EC to retain any credibility as a body capable of concerted action on trade, the Commission and its other 11 member states must call Mr Mitterrand's bluff - if necessary by presenting him with a *fait accompli*. If in so doing they trigger a French veto, at least it will be clear where the responsibility for failure lies.

## VAT headache

WILL THE taxman spoil the celebrations when the single European market comes into being at midnight on December 31? It seems likely that complex new value added tax (VAT) rules for intra-European Community trade will leave thousands of businesses around Europe with a corporate headache.

The problem arises because the abolition of customs checks at borders has brought about changes to the VAT rules and to procedures for collecting trade statistics. Companies will take over responsibility for administering VAT and gathering trade data.

Not only are the details of the changes highly complex, they are also being rushed through in a very tight timescale. The implications may not have been fully thought through and businesses have very little time to adjust.

The new rules are an uncomfortable compromise between the present "destination" system, which taxes goods at the import stage, and a fully fledged "origin" arrangement, which taxes goods when they leave the factory gate, to be introduced in 1997.

The transitional system was needed because EC governments could not agree on a closer harmonisation of VAT rates (the UK, for example, might have had to drop zero-rating for children's clothes and many food items).

There were also doubts about the ability of some governments to operate the clearing house for VAT payments which would have been needed.

There is little that can be done at this late stage to modify the proposed transitional system, though business organisations must start now to plan for 1997.

Companies should give a higher priority at board level to preparing for the new regime, and concentrate the efforts of their computer experts on the complex modifications required.

The customs authorities have indicated that they will be understanding of genuine lapses by companies but in the UK, at least, Customs & Excise has gained a reputation for hard dealing. Customs needs to be properly understood of the real problems businesses will have to face.

Business organisations, for their part, must do more to make their voices heard in Brussels. If they had taken early, effective action when the VAT rules were under discussion they might not need to be so vociferous now.

Finally, ministers must take greater account of the needs of business when approving legislation. The European idea has fallen out of favour with many ordinary voters. The last thing the Community now needs is to alienate businesses as well.



Ross Perot may well have won the battle of St Louis on Sunday night but it will take a handful of miracles for him to win the war for the White House. Bill Clinton does not need divine intervention to become the next president of the United States, but George Bush probably now does.

This is the safe conclusion from the first of the televised presidential debates, a process which has in the past proved influential in the selection of the president. In part they are watched for the knock-out blow or the killer mistake, but they also constitute an opportunity for candidates to parade themselves and their policies. Within the constraints of having to answer every question in no more than two minutes, they served that purpose on Sunday night.

Absent the *grand faux pas*, what came across the nation's TV screens was a sitting Republican president who really does not think there is much chronically wrong with the country, an earnest Democratic challenger who believes government can help put right what is economically amiss and an independent stuffed with pithy aphorisms about impending catastrophe but whose solutions, beyond the summoning of innumerable task forces and town meetings, are a little threadbare.

Mr Perot's performance has the potential once again to disturb the waters of what has increasingly seemed a still electoral pond, with Mr Clinton sailing serenely to victory and Mr Bush slowly sinking. On Sunday, it sometimes seemed the little billionaire was intent on encouraging this progression, for most of his best one-liners were at the president's expense. Responding to Mr Bush's assertion of experience as a prime qualification for the White House, he tartly observed: "I don't have the experience of running up a four trillion dollar debt."

Again, intervening in the only truly scintillating exchange of the evening between Mr Bush and Mr Clinton, over the latter's role in organising protests against the Vietnam war in London years ago, Mr Perot commented: "When a senior official in the federal government spends billions of dollars of taxpayers' money and you're a mature individual and you make a mistake, then that was on our ticket. If you make it as a young man, time passes."

But with lines like "we practise 19th century capitalism, the rest of the world practises 21st century capitalism", Mr Perot also succeeded in making both his opponents seem precisely what they are - professional politicians shaped by the status quo. To the extent that the public is fed up with politics as usual, as it clearly demonstrated by its early summer flirtation with Mr Perot, the blunt Texan again offered himself as a rallying point to the disaffected. The probability is that his stock is again on the rise.

As confirmed by the overnight polls, the critical difference between now and June, when he briefly led some national public opinion polls, is that most people have stopped believing that he can actually win. Moreover, the core of his support - among the military, its veterans and the elderly, the majority white - constitutes a bloc that mostly votes Republican or does not vote at all. This last month of the campaign may dispel the notion that he is a "quitter", but it remains hard to see that it will amount to much more

## Clinton has survived the first presidential debate and remains on course for the White House, says Jurek Martin

# Bush cues the St Louis blues



Talking heads: from left, Bill Clinton, Ross Perot and George Bush at the first televised debate of the US election held in St Louis on Sunday; two more televised debates will be held over the next week

than that, beyond the confines of particular states like his native Texas.

Still, it was Mr Bush who insisted that Mr Perot be a part of the debate, in the hope that he would shake up the political impasse. It was a gamble and it might be backfiring. It is possible that Mr Perot and Mr Clinton may end up splitting the movement for "change", but it is probably more likely that having to defend his economic management from attacks from two quarters will only put the president further on the defensive.

This is exactly where he cannot afford to be now. Just about the only offensive manoeuvre Mr Bush managed to spring on Sunday night was his sudden announcement that, if re-elected, he would ask James Baker to fix domestic affairs as he had succeeded in fixing foreign affairs. Later, White House officials started hinting that the current economic management trioka - Nicholas Brady at the Treasury, Richard Darman at the budget office and Michael Boskin, the economic adviser - was definitely on its way out.

None of this is new. Neither Mr Brady nor Mr Boskin expects to be in office in January even if Mr Bush wins, while Mr Darman's pitch has been thoroughly quered by a recent series of Washington Post articles, for which he was a prime source, detailing the bitter administration fighting over taxation policy. Even the "economic tsar" notion was kicked around prior to

the Republican convention in August, but was reportedly rejected by Mr Baker as too gimmicky.

Even now, it is not clear how firm the proposal is. After the debate, one Republican spokesman said the president was only thinking of putting Mr Baker in charge of domestic matters during the transition period between the election and inauguration in January, after which he would return to his old haunts in the State Department. Mr Bush himself said 10 days ago that that is what he wanted his old friend to do. Critics also had an instant field

**One TV commentator wondered if Mr Baker would appear in the next debate, since it was apparent he was the real president**

day with the resurrection of Mr Baker. One TV commentator openly wondered if it meant that he, not Mr Bush, would appear in the second or third debate, since it was apparent that he was the real president. Mr Baker may tell all later this week when, after weeks of invisibility in the White House, he is emerging to give a formal speech. He was even interviewed on television after the debate.

More important was Mr Bush's inability to crack Mr Clinton's defences. Thoroughly prepared for

nothing that might be construed as critical of the independent candidate beyond the suggestion that he was putting too much emphasis on attacking the deficit and not enough on stimulating economic growth.

In truth, Mr Clinton often looked tense, until he warmed up in the final half hour, over-programmed and sometimes falsely folksy. But his purpose, successfully prosecuted, was to hammer away about the economy and the structural problems of the country, such as healthcare and education, to the exclusion of most else. When pressed on his credentials for the White House, he commented that "experience counts, but it's not everything" and that his experience "was rooted in the real lives of real people", not in the out-dated precepts of the cold war and trickle-down economics.

**H**is message was of "change", not revolution. He declined an invitation to criticise the Federal Reserve, saying its monetary policies "seem to me pretty sound". He doubted the US needed to maintain 150,000 troops in Europe, but said "we certainly must maintain an engagement there of say, 100,000 or slightly less. He thought "economic security is a whole lot of national security". US ground troops should not be sent to Bosnia or Somalia, but "it is important to recognise that there are things which can be done", including a greater effort on refugees and consideration to ending the arms embargo on Bosnia.

His best moments - and Mr Bush's worst - were on social policy issues like health, race and drugs. He cited facts and figures on the unsustainable costs of healthcare, whereas the president devoted most of his answer to an attack on malpractice lawyers. He asserted his campaign had reached out across all racial divides, while Mr Bush merely complained that Arkansas had no civil rights act.

Mr Clinton said his brother's addiction to cocaine had given him a unique perspective and convinced him the legalisation was not the answer, while Mr Bush gave the impression that the war on drugs was making real progress. This left him wide open to one of Mr Perot's better ripostes. "There are guys, who couldn't get a job third shift in a Dairy Queen [a fast food chain], driving BMWs and Mercedes selling drugs and these old boys are not going to quit easy."

There are two more presidential debates to go, on Thursday and next Monday, broken up tonight when Vice-President Dan Quayle, Senator Al Gore and retired admiral James Stockdale, the running mates, have at each other. If Sunday was reasonably civil, the suspicion must be that the next confrontations will be much less so, for the very obvious reason that Mr Bush still has not found the key to rescuing his presidency.

Since the start of September, his campaign has oscillated wildly between attempts at constructive criticism of Mr Clinton and, as this made no inroads, increasingly negative onslaughts on his character. Mr David Gergen, senior editor at US News and World Report and formerly in the Republican White House, commented recently that Mr Bush and Mr Baker seemed to have concluded that "if the mud doesn't stick, start throwing the sewage". The fact that this is not sticking either does not seem to be a deterrent to hauling up another bucketful.

## Joe Rogaly

# Danger in delay



It is Mr John Major, not Mr Norman Lamont, who should have been grilled by the Treasury select committee yesterday. For the economic strategy that collapsed on September 16 was the chancellor's. Both were wedded to maintaining the exchange rate with the D-Mark, but it was Mr Major's repeated public oaths of eternal fidelity to a magic number that made a voluntary sterling devaluation politically unthinkable. The chancellor could not make prescriptive use of the flexibility designed into the exchange rate mechanism even if he had had the presence to do so. The prime minister's pride was the one excuse Mr Lamont could not allow himself in his televised self-defence.

As the fits-and-starts search for a believable new strategy proceeds we are back to a further chapter in the same old story. It is once again Mr Major's weak political position that lies at the heart of the problem. Nobody who attended the Conservative party conference last week can have any doubt that the average Tory would rather see a return to higher rates of inflation than endure a further period of recession. The small businessmen who march behind the Conservative banner want interest rates sharply down at once, even if that means the abandonment of monetary policies aimed at holding the underlying rate of inflation to between 1 and 4 per cent. The prime minister and the chancellor are doubtless sincere when they say that keeping inflation low remains their top priority, but their supporters are clearly unwilling to take more pain.

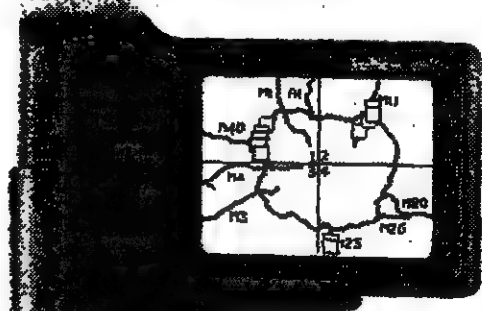
The markets are aware of this. That is why the events of Black Wednesday took place. What remains to be seen is whether Mr Lamont's current strategy, which is to read the newspapers in the morning and then decide what each new day may bring, will carry conviction. Yesterday he would not admit to any reason why it should not. As he reminded the committee, he has not so far strayed from the path of monetary rectitude. True, but "leave it to me" is no longer good enough. This is a circular argument. If the individual upon whose judgment everything hangs has the markets' confidence, his judgment will be effective. If not, not. But luck does come into it. The markets can be moved by a variety of exogenous forces. If there are positive upward movements in sterling and on the stock exchanges, for whatever reason, that will be counted in

subject had not come up. The remaining option is to bring in a new chancellor, one whose credibility has not been destroyed by events. In more settled times, the prime minister would simply move Mr Lamont to another department - the Home Office, perhaps - as part of a general reshuffle. For a while at least the government would look fresh. Mr Major is, however, trying to maintain a fragile union of shall we say, rightwing nationalists and British Christian Democrats. He needs to watch the balance between these two parties in his administration as closely as he would similar partners in any continental coalition.

The short list of potential replacements for Mr Lamont is composed of names that would upset the Westminster coalition. Mr Michael Howard, who, as is proper for an environment secretary, is busying himself with the promotion of "Helping the Earth" week, is known to regard even the distant prospect of re-entry to the ERM with hostility. Mr Michael Portillo, the young chief secretary to the Treasury, is of a like persuasion; anyhow, his proper promotion, which could be sky-high, lies in a more distant future. Three other potential chancellors - Messrs Kenneth Clarke, Michael Heseltine and John MacGregor - are all solidly pro-ERM. None of the above say they want the job; all are straightening their ties. Meanwhile Mr Lamont has managed to acquire a reputation for being both in favour of the ERM and against it, which gives him a short-term political advantage at the cost of the last shreds of his reputation.

If Mr Major was not so petrified at the prospect of further upsets within his party he would cut through all this. The longer he waits, the more he risks the humiliation of having the decision taken for him by events.

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# When unity can sap the strength of a union

Germany's IG Metall wields unusual power, but will have to struggle to maintain its influence, writes David Goodhart

Germany's 3.5m-strong engineering union, IG Metall, is an increasingly rare organisation in the industrialised world: a trade union with power and self-confidence. But Mr Franz Steinkühler, the leader of the union who this week presides over its triennial Congress in Hamburg, will need all his own strength to keep it that way, as German politicians and employers look to organised labour for the sacrifices needed to finance unification and to resist recession.

Mr Steinkühler's union faces these difficulties from a position of relative strength. It has won for its west German members a 35-hour week and, in 1991 and 1992, secured pay deals which were above the rate of inflation. For its 350,000 new east German members it has done even better - winning a deal with the engineering employers to implement a phased equalisation of wages between the two parts of Germany by 1994.

Much of the union's historic success has been rooted in laws which give employees a significant voice at both plant and board level in German industry. IG Metall, the largest of Germany's 17 industrial unions, has also played an important role in the institutional web of government, employers, unions and the Bundesbank, which steers the German economy.

But as the economic costs of unification have become more apparent, the German corporatist model - and in particular the privileged position of organised labour - has come under increasing attack.

Critics, led by the liberal Free Democrats, the smaller party in the coalition government, say that while the model may have helped to distribute wealth in a steadily expanding economy, it should now be jettisoned. They claim that the external shock of reunification, exacerbated by the threat of recession, has revealed the lack of flexibility in the corporatist system.

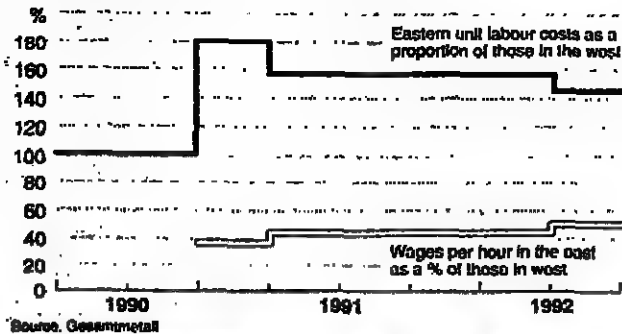
Mr Steinkühler sees his job as maintaining the union's place at the centre of economic management during what he describes as a defensive period for organised labour.

He accepts that a dialogue over financing reconstruction in the east is urgently required, and is even ready to accept a five-year pay agreement, providing wages are raised in line with inflation and taxes.

But in contrast to the government, which wants cuts in pay and welfare in the west to form the centrepiece of a "solidarity pact" to finance a trans-

## East-west gap

Germany's metal and electronics industries



Steinkühler: "Social forces must pay according to ability"

fer of funds to the east, the union wants more tax increases. This time, says Mr Steinkühler, the taxes must last longer and "all social forces must pay according to their ability to do so".

By that he means that the self-employed and public officials - who were excluded from part of last year's unification tax increase - should bear a greater share of the burden. He also favours a levy on post-tax profits, which would be higher for companies not investing in eastern Germany.

cuts - such as at the MZ Eschepau motorbike plant - factories have still closed.

There is also said to be opposition to the wage equalisation agreement from within his own union. Some of the eastern members of IG Metall are believed to oppose the deal because they attach more importance to job security than to wage increases. Mr Steinkühler, however, claims that the equalisation deal is popular in the east. "Our people there tell us that they cannot pay capitalist

ment more than low wages and that the equalisation deal is contributing to the loss of jobs.

The IG Metall leader appears to concede there is some connection between higher wages and unemployment in eastern Germany. For example, he quotes approvingly the expectation that real labour costs in eastern Germany will remain 20 per cent below those in western Germany even after wages are nominally equalised in 1994. That is because east Germans will not receive many of the extra benefits enjoyed by their counterparts in the west. A senior colleague also says that the union might offer a freeze at the 1994 wage level in the east for several years.

Even if he wins the arguments on such issues, however, Mr Steinkühler is facing more practical problems. Most worrying is the fragmentation of the bargaining system in the east. German employers say that a large number of companies in the east have not joined their respective employers' associations and even those that have are often paying below the agreed level - with the approval of their employees.

In western Germany a 21-month deal agreed in May has resolved wage disputes for the duration of the pact, but IBM Germany, a subsidiary of the US computer company, has recently announced its withdrawal from Gesamtmetall, the engineering employers' body. Other big employers, such as Daimler-Benz, are transferring jobs abroad. In another worrying precedent for IG Metall, the DAG white-collar union recently offered a pay cut at Lufthansa.

This must all seem a long way from the union's last West German Congress in 1989. Then it was rallying for its successful assault on the 35-hour week and developing a new bargaining programme for eliminating distinctions between blue and white-collar workers.

As in Germany, times have also become harder in international markets. In response, IG Metall has tried to support the international competitiveness of its members by strengthening sister unions around the world and by pushing the Social Charter within Europe. For the moment, according to Mr Steinkühler, the big challenge is to prevent a flood of cheap labour from eastern Europe.

Ahead, he observes, lies a period of "tougher distributional conflict" throughout the industrial world. But few other unions are as well equipped to tackle the struggle.

**'Our people in eastern Germany tell us that they cannot pay capitalist prices with socialist wages'**

In support of his demands he says that, since 1990, employees have contributed DM73bn (\$28.2bn) to the cost of unity compared with only DM17bn from employers.

Mr Steinkühler is equally clear in rejecting arguments for a suspension of the wage equalisation deal for eastern Germany. Employers say the agreement merely protects the well-off western workers from competition by raising unit labour costs in the east.

Mr Steinkühler believes that the problem in the east is not wage levels but a lack of marketable products. He says that where workers have taken pay

prices with socialist wages," he says.

The equalisation deal is also a measure of how attitudes towards the financing of reunification have changed. In 1990 the deal enjoyed almost universal assent. It was expected to promote the swift social union that the east Germans had been promised as well as helping to slow the exodus of east Germans to the west.

Mr Steinkühler argues that the emigration from east to west continues and that without the agreement it would accelerate again. Many economists, however, claim that the flow is driven by unemploy-

## OBSERVER

### Dispenser of privilege

Card-carrying ex-comrades have just gained a new privilege in Moscow, although in today's world there are only about 600 of them in Russia's population of 150m-plus. The cards in question are needed to work at a newly installed cash-dispensing machine which Visa claims is the first in the former Soviet Union.

Located in Moscow's exclusive Metropol hotel, it dispenses the plunging rouble which the authorities are trying to make convertible. The system will dispense only dollars to tourists and the 600 inhabitants with Visa cards.

The cards - fastidiously issued to elite holders of hard-currency accounts through a local commercial bank called Credobank - were instituted by Visa last year as a contribution to the development of a market economy. But the blessings are going mainly to foreigners who have found it near impossible to get cash on their plastic while visiting Moscow.

Although Visa says it will proceed step by step until a mass market for cards evolves in Russia, it looks forward to having cash machines at other tourist centres in the country by the end of next year.

By then, who knows, a bit more than 0.0004 per cent of the indigenous population will be deemed rich enough to benefit, too.

### In the cold

Meanwhile in Berlin last weekend, a formidable collection of intellectuals assembled for a "last encounter with the cold war". Foregathered in the former Soviet Friendship Society were many of the veterans who had

fought hardest against the tyranny of communism - Edward Shils, Irving Kristol, Robert Conquest and Melvin Lasky, the long-standing editor of Encounter, the monthly which, it believed, fought the intellectual cold war almost single-handedly and which died two years ago.

So what are the new dragons to slay? One idea is that there might be another magazine, even a new broadcasting station, designed to expose the lack of intellectual freedom in communist China. Another view is that the real enemy today is within, coming from demands for political correctness in American universities - though the Europeans were less inclined to spy this as the new Marxism.

Now that the cold war is over, intellectuals on either side of the Atlantic may indeed be going their separate ways, as was perhaps already obvious at the time of Encounter's demise, when there was plenty of American foundation largesse, provided that some money - if only a symbolic amount - came from Europe. It did not.

What lives on is the old fighting spirit. Lord Dacre was in Berlin to attack ideologies of all forms - including religion. It was for that kind of irreverent approach, as much as for helping to sink the cold war, that the magazine is missed.

### Trigger-happy

Fancy whiling away the odd hour blasting off a bazooka on your visit to this week's Chinese Communist Party conference in Beijing? If so, head from Tiananmen Square towards the airport and, a bit to the west, you'll find the 18-acre China North International Shooting Range. Billed as the first



'Are you still celebrating Columbus Day?'

"entertainment type shooting activity place" in the country, it is "provided with over 20 kinds of small arms, such as various pistols, rifles and machine guns, rockets, designed and built by China to be fired by friends of all nations".

Moreover, if you suspect that the other friends' aim may be wayward, don't worry. You can blast away from inside one of 20 shooting compartments "fitted with bulletproof (sic) steel plate".

### Bearing gifts

Evidently US defence company General Dynamics, which has just ousted Britain's Vickers from a tank deal in Kuwait, still believes in the traditional ways of winning friends in the Middle East.

Off to the Gulf are its chairman, William Anders, and fellow board member Frank Carlucci, the former US defence secretary, together with wives and a bulging gift-sack which, besides such baubles as crystal and expensive briefcases, includes three ceramic falcons and

another of bronze.

Observer understands that Saudi defence minister Prince Sultan can expect to receive the bronze example today. In Kuwait, where the delegation is due tomorrow, the prime minister, Crown Prince Sheikh Saad al-Abdulla al-Sabah, can likewise count on adding a statue to his collection. Meanwhile, a special present is being reserved for Abu Dhabi's Sheikh Mohammed, third son of ruler Sheikh Zayed and a highly influential figure in defence procurement. He gets a bowie knife.

### Disunity

More evidence, if such were needed, that the two parts of Germany are failing to knit together. Two taxi-drivers at Tegel airport (in former west Berlin) were yesterday remonstrating about a better placed colleague heading a long line of cabs in search of passengers. Roughly translated: "These bloody Ossis come here and steal all our business."

### Crisp

Meeting his manager when going to cut a lettuce in two for a customer, a new assistant in a US store remarked: "There's a stupid woman who wants half a lettuce..." Then noticing the customer had followed him, he added: "but this nice lady would like the other half."

Impressed, the manager later offered to promote the assistant to a supervisor's post in Detroit. "Oh no!", said the young man. "All the women shoppers there are either prostitutes or hockey players." "I'll have you know my wife comes from Detroit," the manager snapped. "Which team did she play for?" came the reply.

## LETTERS TO THE EDITOR

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### A recipe for disaster

From Mr Louis Musgrove.

Sir, The chancellor, Norman Lamont, has got it all back to front. Germany has a low inflation because it has a strong economy - not vice versa.

Britain has a weak economy compared with Germany. If you impose low inflation on a weak economy like ours you will not produce a strong economy; you will produce a disaster.

Louis Musgrove, 130 Woodbridge Road, Ipswich, Suffolk IP4 2NS

### Actuarial feasibility

From Dr Geraldine D Kaye.

Sir, With reference to Peter Somner's letter on insurance protection for software (October 8), could I suggest that he undertake a course of study in actuarial science before commenting on what is or is not feasible using modern-day actuarial techniques. Actuarial judgment is of value wherever a combination of both mathematical reasoning and common sense is required.

Geraldine D Kaye, visiting senior research fellow in actuarial science, City University, Northampton Square, London EC1V 0HN

### Unilever's divided view of social chapter queried

From Mr Roger Lyons.

Sir, It was interesting to read the endorsement of the Maastricht treaty by the chairman of Unilever, Mr Michael Perry (Letters, October 9).

There is just one thing that puzzles me, and that is Mr Perry's enthusiastic support for the exclusion of the UK from the social chapter.

Could he explain why the

improved rights to consultation and information for workers, which the chapter will help bring about, should apparently apply to employees of Unilever NV but not Unilever plc? What have his British workers, and our members, done to deserve this second-class status?

I was under the impression that both companies are part of

the same transnational operating in an integrated European Community. Have I got it wrong?

I think we should be told. Roger Lyons, general secretary, MIF, Park House, 64-66 Wandsworth Common, Northside, London SW18 2SH

### Fiscal conflict that is not a matter for despair

From Mr M R Weale.

Sir, Samuel Brittan's article ("What I would do as chancellor", October 6) ends with the suggestion that the conflict between GDP exchange rate and inflation targets may be irreconcilable. There is no need for this note of despair provided one makes a distinction between those variables which are intermediate targets, used as guides for short-term policy and medium- to long-term goals.

The exchange rate is surely in the former category. I doubt people felt happier when £1 was DM11.76 (or in 1923 when £1 was RM10<sup>10</sup>) than they do now. On the other hand inflation and output are the latter category, and most economists would agree with Mr Brittan that they are best combined into a target for money GDP.

The exchange rate has an important influence on money GDP, and the most obvious thing to do is to use the exchange rate target as a short-term guide to interest rate policy, while varying the exchange rate target with reference to current performance of money GDP. Obviously this is not compatible with a permanently fixed exchange rate, but it is compatible with membership of an ERM in which realignments are seen as a matter of course and not as the worst crisis since Dunkirk.

To relegate fiscal policy in the way that Mr Brittan does is surely a mistake. If money GDP were on course to grow at target rate with the old exchange rate, the devaluation must have raised the rate of growth of money GDP and a fiscal contraction is needed to

offset this. Of course, if money GDP were growing too slowly at the old rate, then a change in the exchange rate must have been a good, not bad idea.

The combination of a money GDP target with some measure of saving (like public saving or the PSBR) requires joint use of monetary and fiscal policy. If the two instruments are separated, there is a risk that the monetary authority will find itself having to offset the effects of fiscal policy on money GDP, while the fiscal authority has to offset the effects of the monetary policy on the budget balance. For this reason I hope he is too busy as Chancellor to push through his Bank of England Act. M R Weale, faculty of economics and politics, University of Cambridge

### Retailers are victims of arbitration process, not lease terms

From Mr John Campbell.

Sir, Your graph ("Nightmare on the high street for UK retailers", October 6) shows retail rents increasing by 80 per cent more than retail sales in 1986-90, whereas throughout 1971-86 rents and sales stayed close.

This overshoot of rent over sales involved a shift of resources from tenant to landlord reasonably explicable by market forces. The sales surge meant a shortage of retail premises, tenants paid high rent increases at review, equating increased demand for shops with limited supply. Had the boom continued high rents would have resulted in more shops. In recession retail sales

collapsed, many shops fell empty, yet rents continued to rise in arbitrations.

(Had market forces been allowed to work, rents would have fallen more than sales, allowing retail prices to fall to equate supply and demand, empty shops to reopen and recovery to start. Resources would have started to shift back from landlord to tenant.) Instead retailers suffered closure and ruin and the Retail Price Index was falsely inflated, not by market forces, but by the failure of the present arbitration set-up. Upwards-only clauses of shop leases have rarely operated in the slump, since arbitrators still award increases. Thus the

arbitration set-up, not lease terms, is the main problem.

Retailers, who in 1986-90 accepted an 80 per cent rent overshoot over sales, realise that a corresponding undershoot under sales cannot happen in arbitrations, and they will be forced to keep paying the inflated 1986-90 rents for at least 14 years (see Professor Burton's "Retail Rents: Fair and Free Market"). For retail landlords a rent review means heads I win in boom, tails you lose in slump.

Reasons for unfair rent reviews include: landlords and their agents deliberately suppress or rig rental evidence in arbitrations; reviews are settled by two or three local deal-

ers in the second-hand house market; modern valuation methods are not employed.

Retailers with a residential house enjoyed both an overshoot in house price during the boom and suffered a price collapse during the slump. If their house was collateral the bank often closed their over-rented shop. For retailers in boom or slump it's heads landlord wins with high retail rents, tails I lose on house prices. Now retailers understand what is happening we will refuse to allow the arbitration scandal to continue.

John Campbell, Tiddy Dots Eating House, 55 Shepherd Market, London W1Y 7EL

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## INTERNATIONAL COMPANIES AND FINANCE

## Lufthansa in talks to sell part of stake in Kempinski

By Michael Skapinker,  
Leisure Industries  
Correspondent

LUFTHANSA, the German airline, said yesterday it was negotiating to sell part of its 42.6 per cent stake in the Kempinski luxury hotel chain.

The negotiations follow Lufthansa's announcement last June that it was scaling down plans to merge Kempinski with Air France's Meridien chain.

Lufthansa said it was in talks with several interested parties, but the most likely buyer of the Kempinski stake is thought to be Advanta Management, a German investment group controlled by Mr Hans Dieter Bock.

Der Spiegel, the German news magazine, reported recently that Lufthansa would retain an interest in the chain of about 10 per cent. It is

believed, however, that Lufthansa would like to keep its stake in the chain at above 10 per cent.

The plan to merge the Kempinski and Meridien chains was announced last April. It would have created an 80-hotel group with 25,000 employees and annual sales of \$1bn. Air France would have been the majority shareholder in the merged company. The hotels would have retained their own names.

Meridien has 60 hotels worldwide. Kempinski is strongest in Germany, but with a growing presence in North America and Asia.

In June, however, Lufthansa said it regarded the merger as a long-term objective only. In the interim, it said, co-operation between the two hotel groups would be limited to a joint marketing arrangement.

Lufthansa said if the market arrangement was successful, a mutual holding company would be created.

It said that no further decision would be taken without the consent of Lufthansa, thereby ensuring that the interests of the Kempinski chain would be assured.

The scaling-down of the merger plan led to speculation that the Kempinski management had opposed the deal.

Lufthansa was also said to be concerned that a merger could threaten standards at the Kempinski hotels. The German airline said that any arrangement would have to ensure that quality of the Kempinski hotels was upheld.

Lufthansa said it could not comment on the future of its relationship with Air France while the current negotiations were in progress.

## Outokumpu in FM62m loss for first eight months

By Christopher Brown-Homes  
in Stockholm

OUTOKUMPU, the Finnish mining and metals group, made a FM62m (\$13.2m) loss in the first eight months, reflecting lower-than-expected metal prices and a weak dollar.

The result was considerably better than the FM265m loss recorded in the same period last year, but the recovery has been slower than expected because of reduced investment activity in the group's European and US markets. In the first four months, the group made a FM3m profit.

Sales in the last eight months rose 1.5 per cent to FM5.147bn from FM5.029bn.

Outokumpu said profitability had improved considerably compared with last year. It highlighted the November 1991 devaluation of the markka, growth in stainless steel sales, and the implementation of efficiency measures as positive factors.

The group said both its copper products and technology divisions continued to make losses, while stainless steel and base metals recorded positive results.

Outokumpu said Finland's decision last month to float the markka would worsen its 1992 result by FM50m, assuming a 15 per cent devaluation.

It also said its decision to close down Outokumpu Copper Kenosha's drawn products line in the US would lead to FM130m in write-offs and expenses.

However, the company says its 1992 result is expected to "improve significantly" on last year's FM765m loss, although it will stay in the red.

AMER, the Finnish consumer products group, reported a first-half pre-tax profit of FM40m (\$8.52m), compared with a break-even result in the same period last year.

The improvement for the six months to August 31 came despite a 5 per cent fall in net sales to FM3.33bn. The group blamed the drop on a continued decline in the Finnish car market and reduced demand for wholesale paper deliveries.

## French adventure leaves sour taste

Haig Simonian on Italcementi's takeover of Ciments Français

FOR Mr Giampiero Pesenti, the entrepreneur who controls Italcementi, Italy's biggest cement group, it has been a week to forget. Less than six months after catapulting his company to the top of Europe's cement league through the surprise purchase of a controlling stake in Ciments Français of France, the deal has turned sour following the discovery of substantial off-balance sheet losses at the French company.

Italcementi's problems are doubly ironic for both its chairman and Mediobanca, the powerful Milanese merchant bank that is its main adviser.

Last April's agreement to buy control of Ciments Français was hailed by Italian investors. After Pirelli's failure to buy Continental and the Agnelli family's disfigurement at the hands of Nestlé in the battle for Perrier, an Italian entrepreneur had finally pulled off a cross-border coup.

The praise was shared with Mediobanca. The bank's low-profile approach to corporate finance, based largely on personal contacts with a select group of institutions, appeared out of place. The Italcementi-Ciments Français deal showed that the bank was not superannuated.

That the transaction has turned complex is a blow to both Italcementi and Mediobanca, two companies equally renowned in Italy for their distaste for publicity.

Visitors to the Milan headquarters of Mr Pesenti's Italcementi holding company, which controls Italcementi,

might easily think they have strayed. The impressive palazzo bears no nameplate. Only after passing a discreet porters' lodge, which bears no reference to the company, comes the security check giving access to Mr Pesenti's domain.

The low profile contrasts with the policy of Mr Pesenti's father Carlo, who built the group into one of Italy's leading conglomerates.

The price for expansion was debt. Following his father's death in 1984, Mr Pesenti sold assets to reduce borrowings under Mediobanca's guidance. Italcementi's share price has since risen, but the company is retaining some sidelines in engineering, publishing and tourism. Meanwhile, Mr Pesenti won admirers, culminating in his appointment as chairman of Gemina, the Fiat-controlled investment and financial services group in which Mediobanca and Italcementi are also shareholders.

In the past two years, Italcementi, which has been solidly profitable throughout, has been making a more public come-back and has been expanding at home and abroad.

Last year, it bid unsuccessfully for Cementir, the state-owned cement group put up for sale by the IRI holding group, and Heracles, the Greek cementmaker, which fell to Ferruzzi's Calcestruzzi cement and building materials subsidiary. But Italcementi managed to purchase two of Czechoslovakia's leading cement producers. Buying into Ciments Français was its biggest coup. With a combined production of

ITALCEMENTI Group sales (Lbn)		
1989	1990	1991
1,436	1,582	1,661
Net group profits (After minority interests) Lbn		
1989	1990	1991
170.3	206.1	194.5

around 36m tonnes a year, the group is now the world's second-largest cementmaker.

But even Italian plaudits for the purchase were clouded by criticisms of its financing. In spite of its liquidity, Italcementi had to launch a rights issue, along with a convertible bond, raising about L650bn (\$500m) to help pay the L1,700bn purchase price.

Minority shareholders were furious to be offered only non-voting savings shares in the bond, and to have to pay the same price for ordinary and savings shares in the rights issue. Some were further incensed by the sharp fall in Italcementi's share price in the run-up to the deal, triggering demands for an investigation into insider trading.

Typically, Italcementi has made no official statement about the problems in France, while Mr Pesenti himself remains incommunicado.

Company officials merely note that matters are being tackled jointly by Italcementi, Mediobanca, Ciments Français and Paribas, the French bank that controlled the French cement producer, and that all four are determined to reach

an amicable solution.

Italcementi also stresses it will not suffer financially. It claims the recent devaluation of the lira has actually worked in its favour, as it had already bought French francs - now worth more in lira terms - to finance the deal prior to the lira's slide. Nor does the discovery of off-balance sheet losses at Ciments Français affect the "industrial logic" of the deal, it says.

However, it is still far from clear how easy it will be to plug the gap in the finances of Ciments Français, which was discovered by Italcementi's auditors, KPMG.

Two ideas are now being touted. Either Italcementi, which will not pay for the acquisition until year-end, will renegotiate the price, or Paribas, as vendor, will make up the losses. Renegotiation could be a minefield in view of the fact that Ciments Français launched a big share placing in July. Though largely shunned by investors, allowing the Italians to pay less for the company could require compensation to shareholders who subscribed to the issue.

Hence Italcementi's apparent preference for the second option. Letting Paribas make up the "gap" in the accounts of Ciments Français means Italcementi would buy what it expected, and minority shareholders in Ciments Français could not claim compensation. With Paribas considering legal action, that idea so far seems to be more popular in Milan than Paris.

## Stagecoach to buy NZ bus services

By Angus Foster in London

STAGECOACH, the UK's largest private bus company, has won approval from Wellington city council in New Zealand to buy its bus, tram and funicular railway services for NZ\$8m (US\$4.34m).

The acquisition is expected to be completed by the end of this month and will add about 270 vehicles to Stagecoach's 3,000-strong worldwide fleet.

The Wellington operations employ about 450 people, mainly on the city's "Big Red"

bus services.

Stagecoach, based in Perth, Scotland, operates six regional bus companies in the UK, but about 20 per cent of turnover is overseas.

A company spokesman said Stagecoach had been interested in New Zealand since the country passed legislation similar to the UK in 1989 to privatise bus services.

Manning levels are now similar to those among privatised UK bus operators and the spokesman said cost savings from efficiencies would be

small. Although the company is interested in further New Zealand acquisitions, other large city councils such as Christchurch and Auckland have yet to announce plans to open up services to the private sector.

Stagecoach has also looked at Czechoslovakia and is trying to break into Hong Kong, which recently announced plans to increase competition for the colony's bus services.

The company lost out in the first new franchise to be offered earlier this year.

## Mitsubishi, Daimler stress co-operation

By Emiko Terazono in Tokyo

MITSUBISHI of Japan and Daimler-Benz, the German industrial group, yesterday reconfirmed their growing co-operation, after talks at the weekend in Japan between their executives.

Mr Takeshi Eguchi, vice-president of Mitsubishi Corp, the trading company that is the nucleus of the group, said the mutual understanding between the two groups had been strengthened.

Mr Eguchi added that of the several projects being studied, an important agreement between the two companies may be concluded by the end of this year.

The weekend meeting is the fourth since the highly publicised decision in 1990 between Daimler-Benz and four companies in the Mitsubishi group to seek a broad strategic alliance.

However, in contrast to the initial excitement over the tie-up, Mitsubishi underplayed the importance of the alliance.

So far, the groups have failed to come up with any significant deals.

Mitsubishi Motors and Mercedes-Benz are discussing deal under which Mitsubishi will supply the German vehicle group with diesel engines for light trucks.

An earlier agreement under which Mitsubishi dealers in Japan sell Mercedes-Benz cars, has run into difficulties as the German company wants to develop an independent dealer network.

## Aker profits slip to Nkr 369m

By Karen Fosell in Oslo

AKER, the Norwegian cement, oil and gas technology group, yesterday reported a decline in profits to Nkr369m (\$61.5m) from Nkr445m for the first eight months.

The company was saved from going into the red by a Nkr680m profit on the disposal of its stake in Cia Valenciana de Cementos, the Spanish cement producer.

However, Aker did fall into an operating loss of Nkr58m in

the period, from a profit of Nkr341m last year, due to a Nkr430m loss at Norwegian Contractors, part of the oil and gas technology division.

Mr Tom Ruud, Aker's president and chief executive, said that new equity and group transfers totalling Nkr400m would be injected into NC before the end of the year.

Aker's two main divisions - cement and oil and gas technology - significantly increased sales to lift group

operating revenue to Nkr11,487bn from Nkr9,303bn in the same period last year.

The oil and gas technology division increased sales by Nkr3.1bn to Nkr7,534bn, although it fell into an operating loss of Nkr223m from a profit of Nkr211m last year, and order reserves rose to Nkr16bn from Nkr11.5bn in the period. The cement division lifted sales by Nkr217m to Nkr3,963bn. Operating losses fell by Nkr2m to Nkr58m.

## Board changes at East Asiatic

THE EAST ASIATIC Company, one of Denmark's largest and oldest companies, has brought in outsiders for the first time as chairman of the supervisory board and chief executive, writes Hilary Barnes in Copenhagen. Mr Michael Flinck, 44, finance manager at the AP Moller shipping and oil group, has been appointed chief executive. Mr Jan Ertz, a lawyer with board experience on several shipping companies, is to become chairman.

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September 24, 1992



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## INTERNATIONAL COMPANIES AND FINANCE

## Record sales boost Intel quarterly income by 19%

By Louise Kehoe  
in San Francisco

INTEL, the leading US semiconductor chip manufacturer, yesterday unveiled record third-quarter revenues and higher-than-anticipated earnings.

Net income rose 19 per cent to \$241m, or \$1.12 a share, from \$202m, or \$0.96, a year earlier. Revenues were \$1.45bn, up 20 per cent from \$1.19bn.

"This was the best quarter in our history," said Mr. Andrew Grove, chief executive. "Our products are enjoying broad acceptance in the marketplace; our factories are performing at record levels, and our bookings are excellent."

Third-quarter results were driven by strong personal computer sales as buyers took advantage of falling system prices. Intel is the leading sup-

plier of microprocessor chips that form the "brains" of personal computers. Sales of Intel 486 microprocessors exceeded those of the older Intel 386 products for the first time.

"The Intel 486 microprocessor is clearly the new personal computer standard," noted Mr. Grove. The company said business conditions were strongest in the US and Europe, although improvement was beginning to be seen in the Asia-Pacific area. The shift to the Intel 486, combined with a weak dollar, was fuelling business overseas, even in economically troubled Japan.

During the quarter Intel declared the first cash dividend in its history of 10 cents per share.

For the first nine months, net income was \$638m, or \$2.96 per share, against \$630m or \$2.81 1991. Revenues

were \$4bn, up from \$3.6bn.

Advanced Micro Devices, which competes with Intel in the microprocessor market, said its was proceeding with plans for a "timely introduction of its versions of the 486 microprocessor" following rulings on Friday in a long-running copyright dispute between Intel and AMD.

In June a jury found that AMD had used Intel "microcode", the internal programs that control a microprocessor, without licence. The case addressed an earlier math co-processor chip, but forced AMD to postpone plans to launch its own versions of the 486 microprocessor.

Now AMD believes that the jury decision "does not resolve questions related to AMD's rights to microcode in microprocessors", which will await a ruling by the judge.

## Maxus shares jump on insider settlement

By Patrick Harverson  
in New York

SHARES in Maxus Energy, a Texas oil company, rose sharply in New York yesterday on the news that Kidder, Peabody, the Wall Street investment bank, had agreed over the weekend to pay Maxus \$165m to settle an insider-trading lawsuit that was due to go to trial later this week.

The lawsuit was originally filed in 1987. It alleged that insider trading by Mr. Martin Segel, a former senior executive at Kidder, and Mr. Ivan Boesky, the disgraced arbitrator imprisoned for insider trading in 1988, forced Maxus to sell its shares at a loss.

According to Maxus, Mr. Boesky used confidential information supplied by Mr. Segel, who at the time was acting as Kidder's adviser to Diamond Shamrock, to force up the price of Natomas just before Diamond Shamrock paid \$1.27bn for the company.

Under the agreement, Kidder will pay Maxus \$125m in cash, plus \$40m in exchange for five-year warrants to buy \$m Maxus shares at \$13 each.

Both sides said they settled the lawsuit to avoid the cost and time of litigation.

News of the settlement pleased Maxus investors, who bid up the stock 4%, or more than 5 per cent, to \$7.40.

The share price of General Electric, Kidder's parent, was not affected. Kidder said the payment to Maxus would have no material impact on its business because the firm had already set aside reserves relating to the matter.

## Corning blames Dow venture for flat returns

By Karen Zagor in New York

CORNING, the US specialty glass group, yesterday reported flat third-quarter net earnings of \$107m, or 57 cents a share, compared with \$106.7m, or 57 cents, a year ago.

Stripping out one-time gains of 1 cent a share in the 1992 quarter and 4 cents a share a year earlier, Corning said its earnings per share rose 4 per cent in the latest quarter.

Sales grew 20 per cent in the three months, to \$1.15bn from \$963.5m.

For the first nine months, Corning earned \$257.2m, or \$1.36, against \$231.2m, or \$1.24 last year. Sales advanced to \$2.87bn from \$2.43bn.

Mr. James Houghton, chairman, said earnings from consolidated operations showed strong growth in the quarter. The modest earnings performance, in spite of strong sales growth, was blamed on a \$15m

decline in earnings from Corning's equity companies, particularly Dow Corning.

Equity income from Dow Corning, the 50-50 joint venture between Dow Chemical and Corning which was once the leading US manufacturer of silicone breast implants, dropped \$12m in the quarter.

Although Dow Corning did not take any charges linked to its now defunct silicone breast implant operations, the joint venture yesterday reported a 60 per cent drop in third quarter net income.

For the latest quarter, Dow Corning's net income was \$16.4m, against \$40.5m, on sales of \$500.6m against \$458.7m.

About half of the profits fall was blamed on losses in financial transactions linked to the recent upheaval in European financial markets. Weak operating results accounted for the rest of the earnings decline.

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J.R. Skuse  
Company Secretary  
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13th October, 1992

## Strong improvement at CPC

By Nikl Tait in New York

CPC International, the US food company whose products range from Hellmann's mayonnaise to Knorr soups, saw after-tax profits rise from \$75.5m to \$117.4m in the three months to end-September.

The strong improvement came on sales up by 7.7 per cent to \$1.6bn, and translated into an increase in earnings per share from 48 cents to 78 cents.

The figures take after-tax

profits for the first nine months to \$318.8m, compared with \$262.6m at the same stage in 1991. Sales for \$4.81bn, compared with \$4.64bn.

CPC said that the advance reflected "a solid pick-up" in the North American consumer foods business, and that it expected a good performance in the final quarter.

It admitted, however, that it was still feeling the "effects of recession" in several European countries.

Procter & Gamble, the US

household and personal care group, has formed a joint venture with Compania Manufacturera de Pañales y Cartones to market disposable diapers and feminine pads in Chile, Argentina, Paraguay, Uruguay and Bolivia. Reuter reports from Cincinnati.

The company said the joint venture business in Chile would be conducted through Procan, one of the companies in the Compania Manufacturera group, and each partner would have a 50 per cent stake.

## Ingersoll-Dresser plan cleared

By Andrew Baxter

INGERSOLL-RAND and Dresser Industries of the US are going ahead with a plan to merge virtually all their worldwide pump interests following a decision by the US Justice Department last month to drop its opposition to the scheme.

The formation of the joint venture, Ingersoll-Dresser Pump, comes almost 18 months after they originally announced their intention to

create the world's second-biggest pump company after Ebara of Japan.

The move is the latest consolidation in the world pump industry, and creates a company with about \$900m of sales last year and 8,000 employees.

In the UK, manufacturing facilities at Gateshead, Coshill and Newark are included in the deal, but Dresser's Mono Pump operations in the UK are excluded.

The merger was cleared by

the European Community in January, but a month later the Justice Department said the deal was likely to lessen competition substantially in the US in the manufacture and sale of various types of highly engineered pumps.

But on September 23 the department said it would not challenge the merger in court because the two companies had agreed to sell certain pump lines and assets to Gould Pumps.

## US Shoe shuts plant

US SHOE, the US retailer, is closing its Ripley, Ohio, plant, Reuter reports from Cincinnati. The closure, and employment cuts at a related product development facility in Harrison, Ohio, will affect about 400 jobs, the company said.

## Pacific Enterprises sells energy assets for \$371m

PACIFIC Enterprises, the US energy group, is to sell a large part of its domestic oil and natural gas assets to Hunt Oil of Dallas for \$371m. Reuter reports from Los Angeles. The proceeds will be used to reduce debt.

Pacific Enterprises said it took a \$156m, or \$2.09 per common share, after-tax charge against earnings to reflect an expected loss on the sale.

The agreement is for the bulk of the company's oil and gas exploration and production operations, which in 1991 were

5 per cent, or \$394m, of its operating revenues and 10 per cent, or \$688m, of total assets. Mr. Willis Wood, chairman and president, said the sale was part of a restructuring plan under which the company will divest from its non-utility businesses to focus on its core business, the Southern California Gas Co.

He added that, by the end of 1992, he expected to complete negotiations to sell the company's Canadian oil and gas exploration and production unit, Pacific Enterprise Oil.

## General Motors averts strike

GENERAL MOTORS and the United Auto Workers Union have reached an agreement to avert a strike at a key parts plant at Anderson, Indiana, Reuter reports.

The plant, part of the US carmaker's Inland Fisher

Guide division, supplies exterior lighting and bumpers for virtually all of the company's North American assembly plants.

GM said it had agreed to add 240 jobs to the plant over a two-year period.

<b>ASTRA</b> U.S. \$100,000,000 9.25% Fixed Rate Notes due June 15, 1997 JOINT LEAD MANAGERS Citicorp Investment Bank Limited Standard Investment Bank Swiss Bank Corporation Fiscal Agent Citibank, N.A. June, 1992 CITICORP	<b>UNIBANCO</b> U.S. \$100,000,000 10% Fixed Rate Notes due April 7, 1994 JOINT LEAD MANAGERS Citicorp Investment Bank Limited Unibanco - União de Bancos Brasileiros, S.A. Fiscal Agent Citibank, N.A. April, 1992 CITICORP	<b>Banco Crédito Argentino</b> U.S. \$75,000,000 9.0% Fixed Rate Notes due August 5, 1994 LEAD MANAGER Citicorp Investment Bank Limited Fiscal Agent Citibank, N.A. August, 1992 CITICORP	<b>UNIBANCO</b> U.S. \$100,000,000 10% Fixed Rate Notes due May 6, 1995 JOINT LEAD MANAGERS Citicorp Investment Bank Limited Unibanco - União de Bancos Brasileiros, S.A. Fiscal Agent Citibank, N.A. May, 1992 CITICORP	<b>Citibank, N.A. Brazil Branch</b> U.S. \$100,000,000 9.25% Fixed Rate Notes due March 15, 1995 LEAD MANAGER Citicorp Investment Bank Limited Fiscal Agent Citibank, N.A. March, 1992 CITICORP	<b>NACIONAL</b> U.S. \$100,000,000 10.5% Fixed Rate Notes due November 27, 1994 LEAD MANAGER Citicorp Investment Bank Limited Fiscal Agent Citibank, N.A. May, 1992 CITICORP
<b>CEVAL</b> U.S. \$80,000,000 10.5% Fixed Rate Notes due December 17, 1994 LEAD MANAGER Citicorp Investment Bank Limited Fiscal Agent Citibank, N.A. June, 1992 CITICORP	<b>SÃO PAULO ALPARGATAS S.A.</b> U.S. \$20,000,000 10.5% Fixed Rate Notes due December 17, 1994 LEAD MANAGER Citicorp Investment Bank Limited Fiscal Agent Citibank, N.A. June, 1992 CITICORP	<b>aeromexico</b> U.S. \$100,000,000 8.75% Fixed Rate Notes due June 5, 1995 LEAD MANAGER Citicorp Investment Bank Limited Fiscal Agent Citibank, N.A. June, 1992 CITICORP	<b>COMERCE DE SAN PABLO</b> U.S. \$100,000,000 9.0% Fixed Rate Notes due August 4, 1997 LEAD MANAGER Citicorp Investment Bank Limited Fiscal Agent Citibank, N.A. August, 1992 CITICORP	<b>BANCO DE GALICIA</b> U.S. \$50,000,000 8.75% Fixed Rate Notes due December 2, 1993 JOINT LEAD MANAGERS Manufacturers Hanover Citicorp Investment Bank Limited Fiscal Agent Citibank, N.A. May, 1992 CITICORP	<b>International Bonds Investments, Limited</b> U.S. \$25,000,000 6.62% Senior Mtn-Two Notes due 1994 U.S. \$23,000,000 13.0007% Junior Mtn-Two Notes due 1994 180 Mtn-Two Warrants on Par Bonds expiring 1994 LEAD MANAGER Citibank, N.A. June, 1992 CITICORP

Latin American Eurobonds: Bookrunners Only				
Rank	Name	Issues	Amount	%
1	Citicorp	11	\$94.50	15.48
2	—	6	\$80.00	13.69
3	—	4	\$725.00	12.41
4	—	4	\$580.00	9.41
5	—	3	\$400.00	6.85

(Bookrunners only, full credit assigned.)

Latin American Eurobonds: All Lead Managers				
Rank	Name	Issues	Amount	%
1	Citicorp	20	\$10.33	10.45
2	—	19	\$81.90	9.96
3	—	17	\$81.74	8.53
4	—	15	\$377.80	8.47
5	—	11	\$352.82	5.70

(Bookrunners and all co-lead management positions included, proportional credit assumed.)

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Source: IFR IMF/World Bank Report, September 1992

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October 1992

## INTERNATIONAL COMPANIES AND FINANCE

### Campbell launches bid for Arnotts

By Kevin Brown in Sydney and Nikki Tait in New York

CAMPBELL Soup, the US foodmaker, yesterday launched a surprise ASX share offer for Arnotts, the Australian biscuit maker, in which it holds a 32.9 per cent stake.

Campbell, which has a sizeable biscuit and bakery division in the US where it manufactures the "Pepperidge Farm" brand, said its objective was to secure control of Arnotts by acquiring a further 17.2 per cent of the shares at a cost of A\$209m (\$149.20). However, the group said it was prepared to move to 100 per cent control at a cost of A\$943m.

The offer, which is subject to approval by the Foreign Investment Review Board (FIRB), values Arnotts at A\$1.2bn. Campbell already has FIRB approval to acquire up to 40 per cent of Arnotts.

Arnotts, which was informed of the offer only minutes before it was announced by the Australian Stock Exchange,

advised shareholders to take no action until after a scheduled board meeting tomorrow. Schroders Australia, the investment bank appointed to advise the Arnotts' board, said the offer was "not nearly good enough" to secure control of the group's large range of premium brands.

"I would have thought a first shot across the bows would have been in the region of A\$12," said Mr Paul Binns, a director of Schroders' investment banking division. Analysts said the small premium over Arnotts' closing share price of A\$8 suggested Campbell was testing the market, possibly to flush out potential rival bidders such as Pacific Dunlop, the diversified Australian manufacturer, or United Biscuits of the UK.

Mr David Johnson, Campbell's chief executive and himself an Australian, said the offer was "a logical extension" of the technical and marketing relationship between the companies, which began in 1985

when Campbell helped Arnotts resist a bid by Mr Alan Bond. "We are sharing high-value ideas, technology, and know-how with Arnotts. We need majority ownership to justify sharing of our proprietary assets," he told the Arnotts board in a letter.

Campbell had started to buy shares in Arnotts in 1984, and pointed out yesterday that it was "invited by the Arnotts board to become a major shareholder in 1985". Today, Campbell has two representatives on the Arnotts' board.

Mr Johnson said Campbell would develop Arnotts' dominant position in Australia and help it increase sales in Asia, widely seen as a potentially lucrative market for Australian food manufacturers.

Arnotts, he indicated, would become Campbell's "pan-regional brand" in Asia, and could utilise the US food company's sales and distribution network in the region.

The US company's existing biscuit and bakery division had

sales in the year to August of \$808.6m and operating profits of \$90.6m.

"The world food and biscuit industry is becoming increasingly globalised. Arnotts needs a global partner to help it take advantage of new opportunities," he said.

Campbell said Arnotts would remain a stand-alone company run by its current management team.

Analysts said this was probably an attempt to deflect criticism of the sale of the company's well known brand names to an overseas owner.

The offer is the fourth big development in the Australian food market in little more than a year.

In the earlier deals, Pacific Dunlop acquired Petesville Sleight from the collapsed Adsteam group last year, while Goodman Fielder Wattle sold its Wattle offshoot in New Zealand to Heinz of the US for A\$428m and bought the Uncle Toby's group in Australia for A\$330m.

### Alcoa falls 33% to A\$203.5m

By Kevin Brown

ALCOA of Australia, the aluminium group, yesterday blamed weak world prices for a 33 per cent fall in net profit to A\$203.5m (\$145.30m) in the nine months to the end of September, on sales down 30 per cent to A\$1.5bn.

Alcoa said lower prices for alumina, aluminium and gold contributed to the fall in earnings, but were partly offset by lower energy and power costs and a marginally weaker Australian currency.

Alcoa said aluminium prices had fallen below US\$1,200 per

tonne after exceeding US\$1,300 earlier this year. However, alumina's price, which provides about three-quarters of revenue, had improved from about US\$140 per tonne to US\$160.

Net profits were also boosted by settlement of a tax dispute which reduced the tax payment from A\$198m to A\$126m.

"While conditions in the industry remain difficult, the company is confident it has the capacity to respond to the requirements of its customers as markets improve," the directors said.

Alcoa last month paid a fully-franked annual dividend of

A\$80m, taking its total dividend payments for the nine months to A\$180m, a return of 43.3 cents a share.

Alcoa is 49.3 per cent owned by Western Mining Corporation, the Australian resources group. Western Mining warned shareholders in its annual statement that markets for most of its mineral products were likely to remain depressed in the current year.

"Improvements in the major world economies appear slow at best and 1992-93 will most likely be another poor year for the mineral industry," said Sir Arvi Parbo, chairman.

### SIA chairman gives Qantas pledge

By Daniel Green in Singapore

SINGAPORE Airlines (SIA) would not try to exert close management control over Qantas - the Australian international carrier which the government is planning to privatise - if it succeeded in taking a 20 per cent holding, Mr J.Y. Pillay, SIA's chairman, said yesterday.

In a warning to Canberra over the future independence of Qantas, he contrasted this promise with British Airways' apparent plans to direct the activities of US Airways, in which it proposes to acquire a 44 per cent stake for \$760m.

The UK carrier has, however, denied such plans, describing its proposed US Airways investment as a partnership.

BA - which has also expressed interest in buying a stake in Qantas - would have a veto of US Airways decisions in spite of only having a minority shareholding. "We do not want a BA/US Airways-type deal," said Mr Pillay.

Canberra is particularly sensitive to accusations of giving up control of the national airline before elections next year.

A significant interest in Qantas would help BA fulfil its plan to build a global airline. Earlier this year, Lord King,

BA chairman, said the airline needed a stronger presence in the Asia Pacific market.

Mr Pillay said SIA wanted board representation only in proportion to its stake, but that details had yet to be worked out.

The link would reinforce SIA's position in the Pacific region. Mr Pillay admitted that its ties with Delta, the US carrier with which it has a 5 per cent crossholding, "could be a lot better".

Delta has been "pre-occupied" with dealing with its heavily loss-making routes especially in the highly competitive domestic US market.

### Brierley close to Sealord deal

By Terry Hall in Wellington

A GROUP of 13 Maori tribes, has failed to stop the New Zealand government backing a deal that could see forestry group Carter Holt Harvey selling its Sealord fishing division to a joint venture of Maori people and Brierley Investments.

The dissenting group, including Maori from the distant Chatham Islands, opposed a deal that was previously agreed by most Maori tribes. This was supposed to be a "final settlement" of all fishing claims dating back to the Treaty of Waitangi signed with the British in 1840.

Mr Justice Heron, in the

High Court in Wellington, yesterday rejected a bid to order the Crown not to settle the deal until there was a full court hearing about the rights of Maori who didn't agree with the settlement.

His decision permits the government to lend the Maori people NZ\$150m (\$86m) to form a joint venture with Brierley Investments to buy Sealord, which is New Zealand's biggest deep-sea operator, and owns 28 per cent of all New Zealand fish quota.

Mr Justice Heron refused to grant approval for the objections to continue the case. He ruled that a substantive hearing, involving points raised by

the objectors, could be heard before the year-end.

Maori and the Crown have been negotiating for years to try to settle Maori fishing claims.

Some Maori had already signed the deal, but others refused or said it was signed on their behalf without authority.

The hearing removes the major obstacle for the Maori-Brierley Investments offer for Sealord to go ahead. A rival group, led by a Danish group Royal Greenland, has also said it is bidding for Sealord.

Carter Holt Harvey is expected to make a decision on the rival bids shortly.

### Ampolex plans to double output in five years

AMPOLEX, the Australian oil producer, plans to double its output and spend around A\$1.4bn (\$81bn) on development and exploration over the next five years, Reuter reports from Sydney.

Ampolex's production has grown rapidly in recent years, reaching a record 6.4m barrels in the year to June.

Mr Campbell Anderson, chairman, said in his annual report: "The board's ambition is to double this again, while adding to proven reserves, over the next few years."

### WTC agrees sale of HK office complex to China

WORLD Trade Centre (WTC), a company in the Tomson Pacific group headed by Macao casino entrepreneur Mr Stanley Ho, has agreed to sell the Hong Kong World Trade Centre to Resourceful River, a mainland Chinese concern, for HK\$2.5bn (\$323m), Reuter reports from Hong Kong.

Mr David Lee, WTC general manager, said the deal to sell the shopping and office complex in Hong Kong's Causeway Bay district would bring a net profit of about HK\$650m. Shareholders have yet to approve the deal.

In May, Hong Kong Land sold a central district block to a Chinese consortium for HK\$3.8bn.

Mr Lee said: "The proceeds will be used to repay debts, finance the company's various projects in China, and for strategic investment in Hong Kong and south-east Asia."

On September 1, the Hong Kong government appointed an inspector to probe the affairs of WTC and Tomson Pacific after a Securities and Futures Commission investigation into certain share deals by the two companies.

### Rights issue by St George Bank 93% subscribed

ST GEORGE Bank, formerly Australia's biggest building society, yesterday said its A\$102m one-for-five renounceable rights issue had closed 93.3 per cent subscribed. Reuter reports. The issue of 22.2m new ordinary shares offered at A\$4.60 (\$3.28) each, fully underwritten by BT Securities, increases shareholders' funds to more than A\$546m.

### Correction

#### Gold Fields

GOLD Fields of South Africa will soon decide on the future of its Doornfontein mine, not its Deelkraal mine as reported in the FT on October 7.



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## COMPANY NEWS: UK

## Hongkong Land fails to lift Trafalgar stake

By Andrew Taylor,  
Construction Correspondent

MR SIMON Keswick yesterday confirmed that his Hongkong Land company had failed to increase its stake in Trafalgar House beyond the 14.9 per cent it acquired on October 1.

Mr Keswick, chairman, later met Trafalgar House directors to discuss possible boardroom changes at the UK engineering, construction, property, hotels and shipping group.

The positions of Sir Eric Parker, Trafalgar's chief executive, and Sir Nigel Brookes, chairman, are thought to be vulnerable following the Hongkong Land approach and recent shareholder criticism of the group's management.

The Trafalgar board said dis-

cussions with Hongkong Land had been amicable but no decision had been taken on management changes, including on whether Hongkong Land would be invited to the board.

It said that a full statement on various matters would be made in due course.

Hongkong Land had sought to raise its stake to 29.9 per cent, but said that it had received acceptances increasing its holdings by only 1 per cent. The tender offer, therefore, had been declared void.

Mr Keswick said his company had achieved its objective of acquiring a strategic investment in Trafalgar, which owned several world class businesses.

He said: "Provided the company (Hongkong Land) is ade-

quately represented on the board, its investment will be long term and it will devote its resources to the future expansion and development of Trafalgar.

"The investment in Trafalgar represents some 3 per cent of Hongkong Land's shareholders funds and leaves the company well placed to pursue other investment opportunities such as participation in the development of Hong Kong's newest container terminal.

"In this task Hongkong Land will be able to call upon the assistance of the wider Jardine Matheson Group.

Jardine controls 33 per cent of Hongkong Land and jointly owns with Trafalgar, Gammon construction group in Hong Kong.

## Tay dips 26% but lifts payment

By Walton Morris

TAY HOMES, the Leeds-based housebuilder, saw year-end pre-tax profits dip 26 per cent in depressed conditions. But increased turnover, including the sale of more than 1,000 housing units for the first time, and reduced gearing enabled the company to push dividends up 10 per cent to 5.85p.

Taxable profits in the year to June 30 1992 declined to £6.14m (£8.26m) on sales of £78.22m (£70.58m). Operating profits were down to \$9.25m (£11.63m).

Reduced gearing of 47 per cent (66 per cent) on borrow-

ings of £14.2m was partly due to a shift of costs on a show house joint venture being shifted off balance sheet. Interest charges fell to £3.11m (£3.75m).

Mr Trevor Spencer, chairman, said the year-end figures were an excellent achievement in uniquely difficult conditions. He said that while a forecast was difficult, the group's ability to generate profit reflected its capacity to weather the recession and recover strongly when conditions improved.

Sales of houses, mainly in Yorkshire, surpassed 1,000

units for the first time to hit 1,094 (849). The Midlands was also buoyant but trading in Scotland declined. Average prices dipped to £64,900 (£74,300), reflecting a focus on cheaper housing.

Sales of plots from the group's land bank, which stood at 4,800 units at year-end, totalled £1.4m (£2.3m).

Funds tied up in part-exchange homes totalled £5.8m (£5.2m) at year-end.

Shareholders funds rose to £30.31m (£28.06m) representing assets per share of 138.2p (£127.9p). Earnings declined to 18.1p (£25.1p).

## Control Securities wins bondholders' consent

By Maggie Urry

CONTROL SECURITIES, the property, hotels, brewing and leisure group in refinancing talks with its bankers, yesterday won the consent of holders of one of its Swiss franc bonds to delay interest payments until January 18.

Holders of the group's two bond issues, which total Sfr 200m, also agreed to waive rights to declare the bonds to be immediately due and payable until January 18. Further meetings of bondholders will be held on or before that date.

The group's banks, which recently agreed to a third standstill arrangement running until October 31, are providing facilities so that it can continue trading.

The group's shares were suspended in October last year, when the Serious Fraud Office sent in investigators. The company was built up by Mr Nazam Virani, who is facing fraud charges relating to the collapse of Bank of Credit and Commerce International. Mr Virani resigned as chairman and chief executive in April.

## Walker Greenbank ahead 5.6% and sales begin to improve

By Paul Taylor

WALKER GREENBANK, the wallcoverings group which recently emerged from a substantial reorganisation, yesterday reported a 5.6 per cent increase in interim pre-tax profits and said it had detected a slight improvement in sales in the last two months.

Pre-tax profits for the six months to July 31 rose from £2.68m to £2.84m on turnover which fell slightly to £28.51m (£30.37m) as a result of the disposal last year of the non-core

Grimson stairlift business.

Operating profits, before exceptional items, increased by 13.3 per cent to £3.14m (£2.77m), but the increase was partly offset by higher net interest payments which grew to £301,000 (£23,000).

Earnings per share increased by a modest 2.6 per cent to 2.11p (2.06p) and the interim dividend is unchanged at 1.5p.

The core commercial and consumer wallcoverings business managed to boost its market share and increase its turnover by 4.6 per cent to £25.47m, mainly because of the inclusion of the Harlequin distribution company in Germany, acquired in December.

Without this new business Mr Charles Wightman, chief executive, said first half sales would have been flat. After a strong first quarter Mr Wightman said sales declined in May and June as business and consumer confidence evaporated after the election. However he added that there had been signs of a slight improvement in August and September.

Management consultancy fell 5 per cent to £97m. The firm said this was the result of clients postponing discretionary spending in efforts to weather the recession.

Corporate finance and privatisation rose 19 per cent to £16m, while tax consultancy grew 3 per cent to £106m.

The interim results include a £464,000 (£474,000) extraordinary charge. The latest charge mainly relates to the costs of the group's litigation against Ernst & Young, the accountancy firm, and William Carr and his son, Alan, for about £15m in damages and interest in connection with the £3.5m acquisition of Alkar, a shopfitting company, in January 1987. The High Court began hearing the claim on October 1.

## Adam board comfortably survives meeting

By James Buxton, Scottish Correspondent

THE CHAIRMAN and board of Adam & Company, the small Edinburgh-based private banking group, whose banking subsidiary lost twice its capital in irregular foreign exchange futures dealing, yesterday comfortably survived an extraordinary general meeting held to consider the affair.

There was no call at the meeting for the resignation of either Sir Charles Fraser, chairman, or of Mr James Laurenson, deputy chairman and managing director, and two shareholders asked for the opportunity to put more money into the bank.

Sir Charles, a leading Edinburgh solicitor and company director, told shareholders that if the senior executives and directors who were "technically responsible" for the loss were to resign, "you would have no Adam & Co." The company was too small to sustain the departure of its top executives.

But he said: "I apologise unreservedly to shareholders for what has happened. An expression of remorse is entirely appropriate."

Adam & Co, a bank which caters for wealthy individual clients, suffered a loss of £21m in its London treasury department due to operations by its foreign exchange dealers who "acted as a rather inexperienced gambler at a roulette table," he said.

Although the loss wiped out the

bank's £10m capital, Adam & Co was rescued by Mrs Françoise Schlumberger Primat, a 75-year-old director, who agreed immediately to inject £21m into the bank by means of an issue of perpetual convertible non-cumulative preference shares which carry no coupon till 2003.

The Schlumberger family of France, whose fortune is founded on its company which operates systems for measuring the flow of oil wells, was already the largest shareholder in Adam & Co, following Adam's acquisition of Continental Trust in 1986.

Adam & Co - then the first new Scottish bank since 1844 - was created in 1984 by Scottish private and institutional investors and named after the economist Adam Smith.

Sir Charles told about 120 shareholders in a sober and attentive gathering at the Caledonian Hotel in Edinburgh that the loss occurred in a discretionary currency portfolio set up for a client and came to light on August 26 when the two dealers involved disclosed the situation.

Losses were incurred, he said, "at an early stage in the management of the portfolio." But the dealers were "extremely nervous about reporting such losses" and believed they could avoid doing so by "rolling contracts forward in the expectation of a reversal of the trends which had created the losses."

Because of the accounting techniques employed by the dealers neither the cli-

ent nor the senior managers or directors of the bank were ever aware of the extent of the overall exposure. The quarterly reports "on almost all occasions indicated that there were no outstanding forward contracts at the reporting date. This we now know to be totally untrue."

The dealers were backing the US dollar against the D-mark at a time when the US currency was falling steadily. "The dealers acted as a rather inexperienced gambler at a roulette table and continued to bet on the same outcome, backing the dollar against the deutsche mark and doubling up as the situation became more desperate."

Some 22 outstanding rolled-over positions were concealed. Fictitious deals were also booked to the portfolio account and, according to a specially commissioned report by Price Waterhouse, the dealers had "thought of everything, even to the extent of selecting counterparties which they thought would not be approached by the auditors."

The two dealers, Peter Wood, 31, and Richard Turnbull, 27, were immediately suspended and are now no longer employed by the bank, Sir Charles said.

The chairman said that such "operations can only be carried out by knowledgeable dealers who are prepared to manipulate the bank's reporting systems in order to avoid detection." The control over the management of the discretionary port-

folio was "clearly not adequate."

Sir Charles said that Adam & Co had decided to stop operating discretionary foreign exchange portfolios and close its London foreign exchange dealing room, retain only the one in Edinburgh.

Price Waterhouse is now finalising its "forensic" report on the affair and how it escaped detection which will be sent to the Bank of England.

The chairman said that fewer than 20 client relationships had been terminated because of the affair and the bank, which is a subsidiary of Adam & Company Group, now has net assets of £12.2m. A major clearing bank had confirmed the validity of Adam & Co's controls and highlighted areas where they might be strengthened.

Until the deficit on reserves of £18.8m has been eliminated shareholders cannot receive dividends from the bank, which made a profit of £1.2m before the exceptional loss. The bank is therefore considering a scheme, which would require court approval, to eliminate the deficit on reserves by reducing the nominal value of the share capital of the bank.

Although some shareholders raised critical points at the hour-long EGM, one shareholder, Mr Jimmy Walker, a fund manager, quoted Henry Ford's words: "History is bunk." Adam & Co must look to the future and give its shareholders the chance of subscribing new capital through a one for one rights issue.

## Frank Gates interim downturn

By Peter Pearce

FRANK G GATES, the east London-based Ford motor dealer, continued to suffer from the fall in new vehicle sales, especially in fleet sales, and saw pre-tax profits decline from £699,000 to £216,000 in the six months to June 30.

Turnover at the company, which has five Ford franchises, was down at £25.8m (£29.3m).

However, Mr Edward Gates, chairman, said that sales in August, traditionally the highest-selling month, were up 85 per cent on the previous August.

Price-cutting had led to lower margins in new vehicle sales, he said, but the company was aiming to hold profits rather than just shift units.

Service was "in line with last time".

The contract hire side (about

80 per cent of the fleet was sold to Ford Motor Credit Company for £7m in November 1990) continued to grow - to about 60 per cent of its size before that sale, said Mr Brady.

Borrowings totalled about £4m, split between the contract hire side and the newly refurbished Bishop's Stortford dealership. Interest charges rose to £256,000 (£245,000) as a result. Earnings declined to 0.68p (2.15p) per share.

## Lucas puts new components in place

Paul Cheeseright details the three-year programme designed to meet changing markets



Sir Anthony Gill: warned government that it should keep inflation down

### Lucas Industries

Sales (£m)

1991 1992

264.6 751.1

1,472.5 Total £2,488.2m

Operating profit (£m)

1991 1992

8.8 65.3

29.4 Total £113.5m

1991 1992

249.9 642.5

1,477.7 Total £2,370.1m

Operating profit (£m)

1991 1992

0.6 18.1

36.6 Total £28.3m

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## Exports offset Highland home downturn

By Philip Rawston

STRONG growth in export sales of The Famous Grouse Scotch whisky helped Highland Distilleries to recover from first-half setbacks and increase full year pre-tax profits 2 per cent from £28.16m to £28.74m.

Exports of the company's premium Scotch brand rose 29 per cent in value and 16 per cent in volume compared with overall industry export gains of 12 per cent and 4 per cent respectively.

Earnings per share for the year ended August 31 were maintained at last year's 15.1p. A final dividend of 4.55p (4.14p) lifts the total payout to 60p, an 8.9 per cent increase.

Operating profit declined from £22.41m to £21.92m on turnover 4 per cent higher at £169.4m (£163.37m).

Export sales of Famous Grouse amounted to £25.5m compared with £19.9m in the previous year. Distribution through Rémy Cointreau secured increased sales in a number of European markets including France, Sweden, the Netherlands, Greece and Portugal.

Highland now exports 37 per cent of its whisky. Overseas

sales of Famous Grouse have risen from 50,000 cases in 1975 to 750,000 cases.

Volumes declined 6 per cent in the UK market where overall Scotch sales were 11 per cent down - a trend which provoked strong criticism of the UK government's taxation policy on spirits from Mr John Goodwin, chairman. "The complicated and illogical tax system reduces UK employment and damages the balance of payments," he complained.

Famous Grouse, the best-selling whisky in Scotland with a 24.5 per cent share, consolidated its number two position in the UK as a whole, raising its market share from 13.3 per cent to 14.2 per cent. Prices were increased 11.5 per cent in the UK and 8.6 per cent overseas.

Sales outside the group of new and mature whisky for blending were 30 per cent lower than last year as customers reduced stocks. Industry production was cut 7 per cent in the first half of 1992 following last year's 4.4 per cent reduction. Highland's distilleries are now running at 60 per cent of capacity.

Cash flow generated £10m of funds and net gearing was reduced from 18 to 6 per cent.

## Recovery at Mid-States

First-half 1992 pre-tax profits from Mid-States, the London-quoted distributor of car parts in the US, were 17 per cent down on the corresponding figure, but 37 per cent ahead of the second half of 1991 largely as a result of cost reductions.

Pre-tax profit this time for the company which is based in Nashville, Tennessee, came to £1.82m, against £2.33m and £1.4m in the second half, generated from turnovers of £24.8m, £23.8m and £23.1m respectively.

Earnings per share worked through at 3.3p (4.1p) and the interim dividend is unchanged at 8.75p.

## Albrighton cuts losses to £1.2m

The year ended March 31 1992 at Albrighton saw the completion of the business disposal programme, and the group now specialises in the quarrying, manufacture and supply of natural dimensional stone and waste disposal landfill.

Turnover came to £10.7m (£23.3m) and the loss before tax to £1.21m, compared with £1.38m. Continuing activities provided £2.83m (£2.76m) of sales and £204,000 (£440,000) out of an operating profit of £288,000 (£287,000).

Mr Peter Woodman, chairman, said the group was currently trading above break even, but he remained cautious about the year's results.

## Australians may bid for parts of RHM

By Kevin Brown in Sydney

GOODMAN Fielder Wattie, the Australian food group which unsuccessfully offered £1.7bn for Ranks Hovis McDougall in 1988, yesterday said it might bid for RHM's continental European baking and milling activities if a hostile £780m takeover by Hanson succeeds.

Mr Michael Nugent, chief executive, said some of RHM's continental businesses "could be of interest to us, and we will keep watching that particular situation." He did not divulge which businesses interested GFW, or how much it would be prepared to pay.

RHM's continental European business had net assets of £16.5m in the August 1991 balance sheet and achieved trading profits of £2.6m on sales of £73.5m in the 1990-91 year, down from £4.7m and £75.8m previously. They comprise three milling and one bakery company in the Netherlands, and a bakery group in France.

GFW's European foods division generated sales of £575.5m, a fifth of the group total, in the year to June 30, and the group has made no secret of its plans to acquire further businesses.

European activities centre on milling and baking businesses in Belgium, the Netherlands, France and Germany, where Mr Nugent believes long term European growth will be strongest.

Earlier this year the group merged its Melvin and Bakeri Hendriks baking businesses in the Netherlands into a single business under the name Quality Bakers Europe.

It described the £141m acquisition of Limburgse Molens, a privately-owned Belgian flour miller, as a step towards building "critical mass" in milling and baking. GFW disposed of its 49.9 per cent holding in RHM after its bid failed, and was later the target of a failed £53.1bn counter offer from RHM. Last week it sold its Wattle Foods business in New Zealand for £428m and paid £330m for the Uncle Toby's food and snack group.

## Publisher with a flair for the right image

Dorling Kindersley plans to raise £30m through a flotation. Andrew Bolger reports

STRIKING combinations of images and text on the page have fuelled the rapid growth of Dorling Kindersley, the British publisher which is soon to be floated on the stock exchange.

The Covent Garden-based company, which is likely to have a market capitalisation of £75m-£100m, is best known for books such as Penelope Leach's Baby and Child manual and its encyclopaedias of gardening, plants and flowers, produced in association with the Royal Horticultural Society.

Peter Kindersley, the company's chairman and chief executive, said illustration used to be an afterthought in British publishing, with poor pictures and graphics just dropped anywhere into an already written text.

DK's reference books are conceived from the outset as an integral combination of images and words, with captions wrapped round high quality photographs and graphics, printed on clear white backgrounds.

The company spends as much as £2,000 per page in its books - well above the industry average. Mr Kindersley, 51, who trained at arts school, believes publishing has suffered from a failure to invest sufficiently in its products, which in turn leads to low profit margins.

DK recoups this heavy investment by achieving high sales of its reference books for adults and children. Most of the company's titles sell more than 100,000 copies, even though the majority are in hardback. To date, 38 have sold more than 500,000 copies and 12 titles have sold more than one million copies.

The sales level results from

the company's decision to focus on the international market. DK's books currently sell in more than 80 countries and in 37 languages. Last year 30 per cent of group sales were in the UK, 33 per cent in the US and 36 per cent from the rest of the world.

The increasingly international outlook of the business has spurred growth at DK, which saw its pre-tax profits double to £7.5m in the year to June on sales which increased by 66 per cent to £70.9m.

Mr Kindersley believes that publishing has suffered from the dominance of author's agents, who have been able to extract huge advances by forcing individual publishers to bid against each other for each new title in separate territories around the world.

DK's royalty rates and advances tend to be lower, since the company normally originates the concept and is responsible for commissioning authors, rather than bidding for ideas from authors. Some titles have no named authors, thus saving royalties completely.

The company publishes a relatively small number of titles, bringing out only 168 in the last year. DK says this enables it to concentrate its efforts on achieving high quality and on heavily marketing the finished products. Of the company's 700 employees worldwide, 400 are editors and designers.

DK describes itself as market-led, with each new book idea being developed after extensive market research. The group aims to ensure that likely sales will cover the costs of each new title, and employs no fewer than 50 people on foreign rights.

Since the company was



Peter Kindersley: Illustration used to be an afterthought in British publishing

founded in 1974, DK has published more than 500 titles, 90 per cent of which are still in print. About 30 per cent of the group's turnover comes from "backlist sales" - titles which have been published for more than a year or two. DK said only 6 per cent of its books were returned by shops - compared with an industry average of more than 20 per cent.

Another strong selling point has been DK's success in signing up learned and official bodies - such as the British Medical Association, Red Cross and London's Science Museum - to advise on and endorse publications, in exchange for royalties. The American Medical Association endorsed a Family Medical Guide which has already sold 5.3m copies and continues to sell 100,000 copies a year, providing a steady stream of income.

DK's pathfinder prospectus,

being published today will seek to raise £30m in new money for the company. The flotation is being sponsored by Barclays de Zoete Wedd, with Cazenove acting as broker.

The shares will be firmly placed with financial institutions, but will be subject to clawback by financial intermediaries for sale to private clients. Mr Kindersley's family will own about 45 per cent of the enlarged share capital.

One of DK's most successful ventures has been its Eyewitness series of children's books, which it established in 1987 with the French publisher Gallimard. Since 1988 the Eyewitness series has sold more than 13m copies in 30 languages.

Mr Kindersley is at his most eloquent about the growing importance of education. He believes that in a culture flooded with fleeting images,

both children and adults can best learn by browsing and indulging their curiosity in a careful blend of images and text.

Perhaps the most exciting long-term prospects come from DK's link with Microsoft, the US computer software company which after the flotation will have a 20 per cent stake in the British company.

Both companies have just finished work on their first joint project, an interactive CD "reference book" of musical instruments. Having slotted the CD into an appropriate personal computer, users can interrogate the huge database - calling up pictures, words and sounds of the world's instruments.

Mr Kindersley believes this interactive form of education has huge potential, and will also provide a lucrative outlet for DK's existing archive of more than 500,000 images.

## Aminex losses rise 20%

AMINEX, the Irish-quoted oil exploration and production group, increased pre-tax losses by 20 per cent from £59,470 to £71,415 (£63,834) in the half year to June 30. Gross revenues fell from £398,900 to £198,800. Losses per share were unchanged at 1p.

Mr Brian Hall, chairman,

said the group had reached agreement with its principal lenders to repay 75 per cent of all monies outstanding, and to repay the balance over the next two years. This would improve the financial position and, together with the expanded exploration portfolio, strengthen prospects.

## Stephen Dean

The High Court has dismissed proceedings against Mr Stephen Dean brought by Chiquers. Mr Dean had resigned as chairman and chief executive in February. The court ruled that the company, formerly called Dean & Bowes Group, had "failed to provide an adequate statement of claim" against Mr Dean.

## BSR makes \$8m disposal

ASTEC, a member of the BSR group, announced that its subsidiary, Beckman Industrial, had disposed of its instrumentation products division, which manufactures and markets test instruments, to Wavetek Corporation of San Diego, California.

Total consideration was

\$7.97m (£4.71m) and in addition, the purchaser assumed bank borrowings of \$1.21m. Some \$3.5m of the price was received in cash with the balance payable in ten instalments over five years.

Net book value of the assets disposed of amounted to \$6.67m at December 31 1991.

## sappi limited

Registration number 050863/08

### INTERIM RESULTS

for the six months ended 31 August 1992

#### SUMMARY OF RESULTS\*

for the six months ended 31 August (unaudited)

	1992 (US\$)	1991 (US\$)
Sales	\$721m	\$631m
Earnings before taxation	\$77m	\$47m
Net income	\$62m	\$38m
Earnings per share	47 cents	39 cents
Dividends per share (50 cents 100 for both periods)	29 cents	26 cents
Capital expenditure	\$56m	\$38m

#### SALES REVIEW

##### FIRST HALF OF FINANCIAL YEAR

1992	
1991	
1990	
1989	
1987	

Total earnings reflect strong percentage growth over the level achieved in the same period last year but the increase in the number of shares in issue restricts the growth in earnings per share to 20% in US dollar terms.

Recessionary conditions in the USA, UK and South Africa persist and operations in the United Kingdom, specifically, are being hampered by the downturn.

Productivity in all the group's facilities showed an improvement during the period.

The acquisition of 90% of Hannover Papier AG in Germany represents a major step forward in consolidating our position in Europe.

Share listings were obtained in London, Frankfurt and Paris.

Although total group net income for the year is expected to grow, the group will do well to maintain earnings per share at last year's level in current circumstances.

#### INTERIM DIVIDEND

The interim dividend for the six months to 31 August 1992 of 80 SA cents per share is payable on 13 November 1992 to shareholders of record on 23 October 1992. The interim report will be mailed to shareholders on or about 12 October 1992. Copies may be obtained from the transfer agent - Barclays Registrars Limited, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Sappi Management Services (Pty) Limited, Secretaries, per D J O'Connor  
6 October 1992

PG/SP2781

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## COMPANY NEWS: UK

# Rebels call for Clark to be put up for sale

By Peggy Hollinger

THE BOARDROOM split at C&A Clark took a further twist yesterday when the rebel directors called on the board to put Britain's largest shoe manufacturer up for sale.

A circular is being prepared by the rebels urging shareholders to call for the drawing up of a sale prospectus which would put Clark into play. Robert Fleming, the merchant bank, has agreed to act for the four board members.

The move comes just four days before the extraordinary general meeting aimed at deposing the chairman, Mr Walter Dickson, and non-executive director, Mr James Power. The rebels are seeking changes to the corporate strategy pursued by Mr Dickson.

The requisitionists, as the rebels are named for calling the egm, have proposed two

new board candidates, Mr Hugh Pym, ITN journalist, and Mr Michael Markham, a businessman. They claim to represent some 40 per cent of the Clark family holding. The Clarks control 80 per cent of the company through direct stakes and family trusts.

Mr Markham said yesterday that the decision to call for a sale came as a result of the approach received from management consultant, Mr Colin Fisher, backed by venture capital group, Electra Investment Trust.

"The requisitionists accept that the company has been put on bid alert," said Mr Markham. However, he questioned whether an offer backed by Electra which would depend on the failure of the requisitionists proposals - was in the best interests of all shareholders.

"The company has to get the

best offer," he said. The discussions with Electra "do not give a flat playing field to anyone else."

The board said yesterday it was aware of the rebel's latest move but it too was considering soliciting other bids through Schroders, its financial adviser.

The rebels' efforts to attract bidders is, to some extent, a gesture to the large number of Clark family members who might be interested in selling their holdings. Mr Markham said the requisitionists wanted to dispel any suspicions that they had a "bunker mentality", an image which could reduce shareholder support on Friday.

The company nearly embarked on a partial flotation in 1987. It came close to rounding up support from the necessary 75 per cent of shareholders but it dropped the proposal shortly before an egm.

# Lifting market share through co-operation

Richard Lapper on how British insurers are running their overseas businesses

BRITAIN'S troubled insurance companies continue to shy away from joining forces in the domestic market, but overseas they are becoming increasingly keen on co-operation.

Recently, for example, Sun Alliance and Royal Insurance merged their Australian subsidiaries, and Prudential sold its Canadian general insurance side to General Accident.

The deals reflect an increased tendency for the UK's composite insurers to join forces or co-operate in rationalising their interests in markets, typically those in the Commonwealth, where individually they lack significant market share.

And at a time of worldwide capital shortage, they also reflect the increasing pressure, by among insurers worldwide, to save in areas like information technology.

Mr Richard Gamble, chief executive, described the Australian deal as "another step in Royal's strategy to operate overseas when appropriate, through joint ventures in collaboration with partners."

Royal, which joined forces with Aachener and Muenche-

ner, of Germany and Fondiaria of Italy, to form a European joint-venture last year called EPIC, is particularly keen on the idea, partially because of the weakness of its own capital base, which has been eroded by heavy losses in recent years.

EPIC, based in Rotterdam, pools together the non-domestic market operations of all three companies. The decision to sell its Dutch subsidiary, Royal Nederland, to EPIC, has provided valuable capital to boost its balance sheet at home.

The Australian merger with Sun Alliance released a further £50m which can be deployed at group level.

Mr Gamble also stresses the potential economies of scale that co-operation brings. Management resources are often scarce in smaller markets, and by among insurers worldwide, to save in areas like information technology.

He says that improved return on capital can be obtained, pointing to the success of Royal's South African subsidiary, in which it shares ownership with Old Mutual, one of the Republic's biggest insurers.

Royal also shares - with



Richard Gamble: potential nominee of scale

Commercial Union - ownership of La Republica, one of Chile's leading companies, and has joint ventures in Kenya, Malaysia and Zimbabwe.

In the past Sun Alliance, the country's strongest insurer, has been less enthusiastic about joining forces with rivals. But Mr Roger Neville, the group's chief executive, last week hinted at a change in

approach. "We've tended to do it 100 per cent but times have changed," he said.

In recent years Sun Alliance has signed co-operation agreements with insurers in Japan, South Korea and China. And in May it reached agreement with Helvetia of Switzerland to jointly develop international commercial lines business.

In Australia Sun Alliance already shared with Royal Insurance ownership of a 78 per cent stake in AAMI, a successful direct writing motor insurer, as well as a marine insurance agency, Sun Alliance initially approached Royal about a merger of its Australian operations in June, and teams from both companies worked throughout the summer on the project.

Neither company was big enough individually to influence general rating trends explains Mr Tony Barron, director of Sun Alliance (Overseas). The combined operation, with a market share of over 6 per cent, is in a much stronger position. Sun Alliance was particularly influenced by the increased success it enjoyed in New Zealand after it acquired the local interests there of

Guardian Royal Exchange in January last year.

In a similar example earlier this year GRE chose to merge its operations in Australia with the Swiss company, Zurich Insurance. GRE owns a 25 per cent stake in the merged operation - creating Australia's fourth biggest insurer.

In Canada, the Prudential chose to sell its non-life operation to GA, which has now become the biggest insurer in the Canadian market with a share of 8 per cent.

All the companies involved are keen to stress that the deals are limited to particular markets and do not foreshadow integration of operations in the domestic market.

Commenting on the Australian deal, Mr Neville of Sun Alliance emphasised that "every territory is different and must be taken on its merits" while Royal's Mr Gamble is keen to stress the number of companies with which Royal is prepared to do business.

Even so, as competition in the 1990s gets tougher and the UK faces up to the continuing threat from Europe, the lessons learned abroad may yet have application at home.

## Shepherd Neame expands 10% to over £4m

Shepherd Neame, the independent Kent brewer, raised pre-tax profits by 10 per cent from £3.68m to £4.06m in the year ended June 27, 1992, on turnover 14 per cent higher at £35.82m.

Operating profits climbed 20 per cent to £6.23m indicating the economies of scale from supplying an enlarged pub estate. Finance charges were up 27 per cent at £2.18m.

Mr Robert Neame said the increase had been achieved despite the company trading almost exclusively in the south east, where the recession had been most severe.

The Faversham-based company had launched 58 pubs from Waltham, which offered the opportunity of increasing volume throughout without further capital outlay. Together with the purchase of other pub packages from Bass and Courage the previous year, this took the Shepherd Neame pub estate to 372.

## Insurance proceeds help lift S Lyles to £1.1m

S LYLES, the yarn spinner and dyer, marginally improved its profit in the year ended June 30, but taking in a £280,000 exceptional credit the increase was 40 per cent.

Including the credit, which represented insurance proceeds arising on the death of a director, the pre-tax balance rose from £213,000 to £1.1m.

Turnover slipped from £17.1m to £16.7m reflecting a

decrease both in home and export sales. Earnings per share came to 10.66p (7.43p) and the final dividend is 3.35p for a total of 4.9p (4.45p).

Mr John Lyles, chairman, said trading conditions were difficult and the "whiff of the optimism detected this spring in the home market fast disappeared. We have so far had a disappointing start to our year."

Mr Richard Cattermole, leader of the dissent group and a 5 per cent shareholder, said he was waiting to hear from the company when the meeting would be held.

Mr Cattermole said he had circulated the group's shareholders and found a high level of dissatisfaction among them. He owns Ryan Elizabeth Holdings, which owns 45 pubs and a chain of hotels.

There has been speculation about a takeover of Hoskins by Ryan Elizabeth. In the year to March 31 Hoskins' pre-tax profits were £28,000.

## Hoskins egm requisitioned

By Maggie Urry

Disgruntled shareholders in Hoskins Brewery, the Leicester-based real ale brewer, have requisitioned an extraordinary general meeting at which resolutions to replace two shareholders will be put.

Mr Richard Cattermole, leader of the dissent group and a 5 per cent shareholder, said he was waiting to hear from the company when the meeting would be held.

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## Brent Chemicals \$5.3m purchase

Brent Chemicals International is acquiring certain assets and the business of Chemical Systems of the US for a total of \$5.3m (£3m).

If certain conditions can be met Brent will also acquire the assets and business of Chemsys's Canadian affiliate for a consideration of up to \$850,000.

Sales of Chemsys in the 1991 year were \$3.5m. Adjusting the previous figures to reflect the change of structure under Brent's ownership would have shown profits of \$800,000.

Net assets at the end of the year were \$600,000. Brent is paying \$1.8m for the assets and business with a further \$3.5m under a sub-contract manufacturing agreement with Chemsys and non-competitors with the joint owners of Chemsys.

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CROSS BORDER M&A DEALS					
BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT	
Air Canada (Canada)	Continental Airlines (US)	Airlines	\$247m	AC group ups offer	
Aeromexico (Mexico)	Continental Airlines (US)	Airlines	\$232m	Joining Hurwitz group bid	
HJ Heinz (US)	Wattie Foods (New Zealand)	Food	\$178m	Heinz targeting Asia	
General Accident (UK)	Canadian unit of Prudential (UK)	Insurance	\$74m	GA improving geographic spread	
Wellcome (UK)	Weigen Manufacturing Partnership (US)	Biotechnology	\$13.7m	Corrects earlier report	
Sage Group (UK)	Remote Control International (US)	Computer software	\$3.3m	Revenue-related payments	
Sage Group (UK)	Ciel (France)	Computer software	\$1.4m	Mainland Europe debut	
Helms (UK)	IPC Resistors/IPC Power Resistors International (US)	Resistors	\$0.9m	Cash deals	
Nayan Resources (Ireland)/Orascom Eres-Avanybeny (Hungary)	JV	Mining	n/a	Transitional move for Nayan	
Royal Insurance/Sun Alliance (UK)	JV	Insurance	n/a	Merging Australian operations	

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## FINANCIAL TIMES

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## NEWSLETTERS

**BRITANNIA BUILDING SOCIETY**  
£150,000,000 Floating Rate Notes  
Due 1993

(comprising £75,000,000 Floating Rate Notes issued on 26 November 1991 and a further £75,000,000 Floating Rate Notes due 1993 issued on 26 July 1992 and a further £25,000,000 Floating Rate Notes due 1993 issued on 10th August 1992 consolidated and forming a single series therewith). In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 12th January 1993 to (but excluding) 12th January 1994 the Notes will carry a rate of interest of 8.75 per cent, per annum. The coupon amount per £100,000 Note will be £8.75 payable against surrender of Coupon No. 28.

Hambro Bank Limited  
Agent Bank

**YORKSHIRE BUILDING SOCIETY**  
£150,000,000 Floating Rate Notes  
Due 1997

(of which £100,000,000 was issued on 10th July 1990 as the initial tranche). In accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (and including) 12th January 1993 to (but excluding) 12th January 1994 the Notes will carry a rate of interest of 8.75 per cent, per annum. The coupon amount per £100,000 Note will be £8.75 payable against surrender of Coupon No. 28.

Hambro Bank Limited  
Agent Bank

## U.K. WATER INDUSTRY

The FT proposes to publish this survey on November 4 1992.

The 10 water companies of England and Wales are committed to a £28 billion investment programme. To discover what the FT is planning and how to reach our international audience of senior decision makers, influential financiers and government officials contact:

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Tel: 0272 292565  
Fax: 0272 225974  
Merchants House,  
Wapping Road,  
Bristol, BS1 4RU

FT SURVEYS

## FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, October 12, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from these of foreign currencies to which they are tied.

COUNTRY	£ STG	US \$	D-MARK	YEN (¥ 100)	COUNTRY	£ STG	US \$	D-MARK	YEN (¥ 100)	COUNTRY	£ STG	US \$	D-MARK	YEN (¥ 100)
Albania (Albania)	99.25	56.2111	39.5438	48.1212	Gambia - (Gambia)	14.3185	8.3979	5.7043	8.9423	Paraguay (Paraguay)	42.79	25.0439	17.0192	20.703
Algeria (Algeria)	14.3185	8.3979	5.7043	8.9423	Guatemala (Guatemala)	1.2119	0.7050	1.0705	1.6324	Peru (Peru)	41.15	24.1634	16.3494	19.515
Angola (Angola)	1.2119	0.7050	1.0705	1.6324	Haiti (Haiti)	0.2400	0.1496	0.2244	0.3400	Philippines (Philippines)	1.00	0.5865	0.3984	0.4569
Argentina (Argentina)	1.4721	0.9278	1.3928	2.1000	Honduras (Honduras)	0.2400	0.1496	0.2244	0.3400	Poland (Poland)	1.3603	0.8438	1.2638	1.9100
Australia (Australia)	0.6756	0.4191	0.6282	0.9424	India (India)	0.2400	0.1496	0.2244	0.3400	Portugal (Portugal)	1.3603	0.8438	1.2638	1.9100
Austria (Austria)	1.3563	0.8400	1.2600	1.9000	Indonesia (Indonesia)	0.2400	0.1496	0.2244	0.3400	Romania (Romania)	0.2400	0.1496	0.2244	0.3400
Bahamas (Bahamas)	0.2400	0.1496	0.2244	0.3400	Iran (Iran)	0.2400	0.1496	0.2244	0.3400	Saudi Arabia (Saudi Arabia)	0.2400	0.1496	0.2244	0.3400
Bahrain (Bahrain)	0.2400	0.1496	0.2244	0.3400	Israel (Israel)	0.2400	0.1496	0.2244	0.3400	Senegal (Senegal)	0.2400	0.1496	0.2244	0.3400
Bangladesh (Bangladesh)	0.0073	0.0045	0.0067	0.0100	Italy (Italy)	0.2400	0.1496	0.2244	0.3400	Sierra Leone (Sierra Leone)	0.2400	0.1496	0.2244	0.3400
Barbados (Barbados)	0.2400	0.1496	0.2244	0.3400	Jamaica (Jamaica)	0.2400	0.1496	0.2244	0.3400	South Africa (South Africa)	0.2400	0.1496	0.2244	0.3400
Belarus (Belarus)	0.0000	0.0000	0.0000	0.0000	Kenya (Kenya)	0.2400	0.1496	0.2244	0.3400	Spain (Spain)	0.2400	0.1496	0.2244	0.3400
Belgium (Belgium)	1.3603	0.8438	1.2638	1.9100	Korea (Korea)	0.2400	0.1496	0.2244	0.3400	Sri Lanka (Sri Lanka)	0.2400	0.1496	0.2244	0.3400
Belize (Belize)	0.2400	0.1496	0.2244	0.3400	Kuwait (Kuwait)	0.2400	0.1496	0.2244	0.3400	Tanzania (Tanzania)	0.2400	0.1496	0.2244	0.3400
Benin (Benin)	0.0000	0.0000	0.0000	0.0000	Laos (Laos)	0.2400	0.1496	0.2244	0.3400	Thailand (Thailand)	0.2400	0.1496	0.2244	0.3400
Bhutan (Bhutan)	0.0000	0.0000	0.0000	0.0000	Lebanon (Lebanon)	0.2400	0.1496	0.2244	0.3400	Togo (Togo)	0.2400	0.1496	0.2244	0.3400
Bolivia (Bolivia)	0.0000	0.0000	0.0000	0.0000	Lithuania (Lithuania)	0.2400	0.1496	0.2244	0.3400	Tonga (Tonga)	0.2400	0.1496	0.2244	0.3400
Bosnia (Bosnia)	0.0000	0.0000	0.0000	0.0000	Malawi (Malawi)	0.2400	0.1496	0.2244	0.3400	Trinidad & Tobago (Trinidad & Tobago)	0.2400	0.1496	0.2244	0.3400
Botswana (Botswana)	0.2400	0.1496	0.2244	0.3400	Malaysia (Malaysia)	0.2400	0.1496	0.2244	0.3400	Tunisia (Tunisia)	0.2400	0.1496	0.2244	0.3400
Brazil (Brazil)	0.0000	0.0000	0.0000	0.0000	Maldives (Maldives)	0.2400	0.1496	0.2244	0.3400	Turkey (Turkey)	0.2400	0.1496	0.2244	0.3400
Bulgaria (Bulgaria)	0.0000	0.0000	0.0000	0.0000	Mali (Mali)	0.2400	0.1496	0.2244	0.3400	Uganda (Uganda)	0.2400	0.1496	0.2244	0.3400
Burkina Faso (Burkina Faso)	0.0000	0.0000	0.0000	0.0000	Malta (Malta)	0.2400	0.1496	0.2244	0.3400	Ukraine (Ukraine)	0.0000	0.0000	0.0000	0.0000
Burundi (Burundi)	0.0000	0.0000	0.0000	0.0000	Mauritania (Mauritania)	0.2400	0.1496	0.2244	0.3400	United Kingdom (United Kingdom)	1.00	0.5865	0.3984	0.4569
Cambodia (Cambodia)	0.0000	0.0000	0.0000	0.0000	Mauritius (Mauritius)	0.2400	0.1496	0.2244	0.3400	United States (United States)	1.00	0.5865	0.3984	0.4569
Cameroon (Cameroon)	0.0000	0.0000	0.0000	0.0000	Mexico (Mexico)	0.2400	0.1496	0.2244	0.3400	Uruguay (Uruguay)	0.2400	0.1496	0.2244	0.3400
Canada (Canada)	0.7456	0.4656	0.6984	1.0500	Moldova (Moldova)	0.2400	0.1496	0.2244	0.3400	USA (USA)	1.00	0.5865	0.3984	0.4569
Cape Verde (Cape Verde)	0.0000	0.0000	0.0000	0.0000	Monaco (Monaco)	0.2400	0.1496	0.2244	0.3400	Uzbekistan (Uzbekistan)	0.0000	0.0000	0.0000	0.0000
Cayman Is. (Cayman Is.)	0.0000	0.0000	0.0000	0.0000	Mongolia (Mongolia)	0.2400	0.1496	0.2244	0.3400	Venezuela (Venezuela)	0.2400	0.1496	0.2244	0.3400
Chad (Chad)	0.0000	0.0000	0.0000	0.0000	Montenegro (Montenegro)	0.2400	0.1496	0.2244	0.3400	Vietnam (Vietnam)	0.2400	0.1496	0.2244	0.3400
Chile (Chile)	0.0000	0.0000	0.0000	0.0000	Morocco (Morocco)	0.2400	0.1496	0.2244	0.3400	Yemen (Yemen)	0.2400	0.1496	0.2244	0.3400
China (China)	0.0000	0.0000	0.0000	0.0000	Mozambique (Mozambique)	0.2400	0.1496	0.2244	0.3400	Zambia (Zambia)	0.2400	0.1496	0.2244	0.3400
Colombia (Colombia)	0.0000	0.0000	0.0000	0.0000	Nepal (Nepal)	0.2400	0.1496	0.2244	0.3400	Zimbabwe (Zimbabwe)	0.2400	0.1496	0.2244	0.3400
Congo (Congo)	0.0000	0.0000	0.0000	0.0000	Nicaragua (Nicaragua)	0.2400	0.1496	0.2244	0.3400					
Costa Rica (Costa Rica)	0.0000	0.0000	0.0000	0.0000	Niger (Niger)	0.2400	0.1496	0.2244	0.3400					
Cote d'Ivoire (Cote d'Ivoire)	0.0000	0.0000	0.0000	0.0000	Nigeria (Nigeria)	0.2400	0.1496	0.2244	0.3400					
Croatia (Croatia)	0.0000	0.0000	0.0000	0.0000	Romania (Romania)	0.2400	0.1496	0.2244	0.3400					
Cuba (Cuba)	0.0000	0.0000	0.0000	0.0000	Saudi Arabia (Saudi Arabia)	0.2400	0.1496	0.2244	0.3400					
Cyprus (Cyprus)	0.0000	0.0000	0.0000	0.0000	Senegal (Senegal)	0.2400	0.1496	0.2244	0.3400					
Czech Republic (Czech Republic)	0.0000	0.0000	0.0000	0.0000	Sierra Leone (Sierra Leone)	0.2400	0.1496	0.2244	0.3400					
Dominican Rep. (Dominican Rep.)	0.0000	0.0000	0.0000	0.0000	South Africa (South Africa)	0.2400	0.1496	0.2244	0.3400					
Dominica (Dominica)	0.0000	0.0000	0.0000	0.0000	Spain (Spain)	0.2400	0.1496	0.2244	0.3400					
DRC (DRC)	0.0000	0.0000	0.0000	0.0000	Sri Lanka (Sri Lanka)	0.2400	0.1496	0.2244	0.3400					
Ecuador (Ecuador)	0.0000	0.0000	0.0000	0.0000	Tanzania (Tanzania)	0.2400	0.1496	0.2244	0.3400					
Egypt (Egypt)	0.2400	0.1496	0.2244	0.3400	Thailand (Thailand)	0.2400	0.1496	0.2244	0.3400					
El Salvador (El Salvador)	0.2400	0.1496	0.2244	0.3400	Togo (Togo)	0.2400	0.1496	0.2244	0.3400					
Equatorial Guinea (Equatorial Guinea)	0.2400	0.1496	0.2244	0.3400	Tonga (Tonga)	0.2400	0.1496	0.2244	0.3400					
Ethiopia (Ethiopia)	0.2400	0.1496	0.2244	0.3400	Trinidad & Tobago (Trinidad & Tobago)	0.2400	0.1496	0.2244	0.3400					
Falkland Is. (Falkland Is.)	0.2400	0.1496	0.2244	0.3400	Tunisia (Tunisia)	0.2400	0.1496	0.2244	0.3400					
Fiji (Fiji)	0.2400	0.1496	0.2244	0.3400	Turkey (Turkey)	0.2400	0.1496	0.2244	0.3400					
France (France)	0.2400	0.1496	0.2244	0.3400	Uganda (Uganda)	0.2400	0.1496	0.2244	0.3400					
French Polynesia (French Polynesia)	0.2400	0.1496	0.2244	0.3400	Ukraine (Ukraine)	0.0000	0.0000	0.0000	0.0000					
Germany (Germany)	0.2400	0.1496	0.2244	0.3400	United Kingdom (United Kingdom)	1.00	0.5865	0.3984	0.4569					
Ghana (Ghana)	0.2400	0.1496	0.2244	0.3400	United States (United States)	1.00	0.5865	0.3984	0.4569					
Greece (Greece)	0.2400	0.1496	0.2244	0.3400	Uruguay (Uruguay)	0.2400	0.1496	0.2244	0.3400					
Guatemala (Guatemala)	0.2400	0.1496	0.2244	0.3400	USA (USA)	1.00	0.5865	0.3984	0.4569					
Haiti (Haiti)	0.2400	0.1496	0.2244	0.3400	Uzbekistan (Uzbekistan)	0.0000	0.0000	0.0000	0.0000					
Honduras (Honduras)	0.2400	0.1496	0.2244	0.3400	Venezuela (Venezuela)	0.2400	0.1496	0.2244	0.3400					
India (India)	0.2400	0.1496	0.2244	0.3400	Vietnam (Vietnam)	0.2400	0.1496	0.2244	0.3400					
Indonesia (Indonesia)	0.2400	0.1496	0.2244	0.3400	Yemen (Yemen)	0.2400	0.1496	0.2244	0.3400					
Iran (Iran)	0.2400	0.1496	0.2244	0.3400	Zambia (Zambia)	0.2400	0.1496	0.2244	0.3400					
Israel (Israel)	0.2400	0.1496	0.2244	0.3400	Zimbabwe (Zimbabwe)	0.2400	0.1496	0.2244	0.3400					
Italy (Italy)	0.2400	0.1496	0.2244	0.3400										
Jamaica (Jamaica)	0.2400	0.1496	0.2244	0.3400										
Kenya (Kenya)	0.2400	0.1496	0.2244	0.3400										
Korea (Korea)	0.2400	0.1496	0.2244	0.3400										
Kuwait (Kuwait)	0.2400	0.1496	0.2244	0.3400										
Laos (Laos)	0.2400	0.1496	0.2244	0.3400										
Lebanon (Lebanon)	0.2400	0.1496	0.2244	0.3400										
Lithuania (Lithuania)	0.2400	0.1496	0.2244	0.3400										
Malawi (Malawi)	0.2400	0.1496	0.2244	0.3400										
Malaysia (Malaysia)	0.2400	0.1496	0.2244	0.3400										
Maldives (Maldives)	0.2400	0.1496	0.2244	0.3400										
Mali (Mali)	0.2400	0.1496	0.2244	0.3400										
Malta (Malta)	0.2400	0.1496	0.2244	0.3400										
Mauritania (Mauritania)	0.2400	0.1496	0.2244	0.3400										
Mauritius (Mauritius)	0.2400	0.1496	0.2244	0.3400										
Mexico (Mexico)	0.2400	0.1496	0.2244	0.3400										
Moldova (Moldova)	0.2400	0.1496	0.2244	0.3400										
Monaco (Monaco)	0.2400	0.1496	0.2244	0.3400										
Mongolia (Mongolia)	0.2400	0.1496	0.2244	0.3400										
Montenegro (Montenegro)	0.2400	0.1496	0.2244	0.3400										
Morocco (Morocco)	0.2400	0.1496	0.2244	0.3400										
Mozambique (Mozambique)	0.2400	0.1496	0.2244	0.3400										
Nepal (Nepal)	0.2400	0.1496	0.2244	0.3400										
Nicaragua (Nicaragua)	0.2400	0.1496	0.2244	0.3400										
Niger (Niger)	0.2400	0.1496	0.2244	0.3400										
Nigeria (Nigeria)	0.2400	0.1496	0.2244	0.3400										
Romania (Romania)	0.2400	0.1496	0.2244	0.3400										
Saudi Arabia (Saudi Arabia)	0.2400	0.1496	0.2244	0.3400										
Senegal (Senegal)	0.2400	0.1496	0.2244	0.3400										
Sierra Leone (Sierra Leone)	0.2400	0.1496	0.2244	0.3400										
South Africa (South Africa)	0.2400	0.1496	0.2244	0.3400										
Spain (Spain)	0.2400	0.1496	0.2244	0.3400										
Sri Lanka (Sri Lanka)	0.2400	0.1496	0.2244	0.3400										



## STET

## LETTER TO THE SHAREHOLDERS

THIS LETTER IS INTENDED TO EXPEDITE AND IMPROVE COMMUNICATION WITH YOU AT A TIME OF CONSIDERABLE UNCERTAINTY IN NATIONAL AND INTERNATIONAL ECONOMIES. FOR THE TELECOMMUNICATIONS SECTOR IT HAPPENS ALSO TO BE A TIME OF OPPORTUNITY AND OF POTENTIAL FOR GROWTH.

## STET GROUP PERFORMANCE IN FIRST HALF-YEAR, 1992

THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT FIGURES FOR YOUR COMPANY AND THE STET GROUP FOR THE FIRST SIX MONTHS OF 1992 INDICATE STRENGTH AND CONTINUING PROFITABILITY.

THERE WAS A BETTER THAN EXPECTED GROWTH IN TRAFFIC OVER OUR FIXED TELECOMMUNICATIONS NETWORK DURING THIS PERIOD AND DEMAND FOR MOBILE TELEPHONY CONTINUED TO BE AMONG THE HIGHEST IN EUROPE.

THIS GROWTH TREND IS AT ODDS WITH THE BEHAVIOUR OF THE ECONOMY AT LARGE, AND IS TO BE ATTRIBUTED TO TWO FACTORS. THE FIRST IS THE GROUP'S INVESTMENT STRATEGY, WHICH OVER THE LAST FEW YEARS HAS BEEN TARGETED ON STRENGTHENING THE TELEPHONE NETWORK AND IMPROVING THE QUALITY OF THE SERVICE. THE SECOND HAS BEEN INTERNAL REORGANISATION IN ORDER FULLY TO EXPLOIT OPPORTUNITIES DERIVING FROM THE LATEST TECHNOLOGIES.

ON THE ONE HAND THE GROUP'S MANUFACTURING ACTIVITIES HAVE KEPT IN STEP WITH SERVICE PROVIDERS' INVESTMENT PROGRAMMES FOR THE CURRENT FINANCIAL YEAR. ON THE OTHER HAND THE POLICY OF EXPANDING THESE ACTIVITIES HAS BEEN CONTINUED, WITH THE ACHIEVEMENT OF BETTER PENETRATION OF MANY FOREIGN MARKETS.

IN PUBLISHING AND VALUE-ADDED SERVICES, WE HAVE SATISFACTORILY COPE WITH THE DOWN-TURN IN ADVERTISING INVESTMENT AND THE TOUGHENING OF COMPETITION.

## SIGNIFICANT DATA FOR FIRST HALF-YEAR

AT A PRE-TAX LEVEL, HALF-YEAR PROFIT OF STET SPA TOTALLED 400.9 BILLION LIRE AND THE GROUP'S CONSOLIDATED PROFIT TOTALLED 1,566 BILLION.

THE BALANCE SHEET OF STET SPA SHOWS STOCKHOLDERS' EQUITY OF 6,465 BILLION LIRE, REPRESENTING 95% COVERAGE OF THE NET CAPITAL INVESTED OF 6,722.9 BILLION.

THE GROUP'S CONSOLIDATED STOCKHOLDERS' EQUITY OF 20,260 BILLION LIRE SUFFICIENTLY DEMONSTRATES STET'S IMPORTANCE WITHIN ITALY'S INDUSTRIAL SYSTEM.

THE HALF-YEAR RESULTS PUBLISHED BY STET AND THE COMPANIES IN THE GROUP INDICATE THAT PERFORMANCE FOR FINANCIAL YEAR 1992 WILL BE IN LINE WITH THE DEVELOPMENT TREND ESTABLISHED IN RECENT YEARS.

SPECIFICALLY, THE STET GROUP'S CONSOLIDATED SALES IN THE FIRST HALF-YEAR TOTALLED 12,526 BILLION LIRE (12.5% UP ON THE 11,131 BILLION FOR THE SAME PERIOD IN 1991) AND THE GROSS OPERATING PROFIT WAS 6,519 BILLION, A 10% INCREASE OVER THE 5,940 BILLION OF THE FIRST SIX MONTHS OF 1991. GIVEN A BACKGROUND OF OVERALL RECESSION THESE ARE SIGNIFICANT RESULTS.

AT 4,632 BILLION LIRE, A HIGH LEVEL OF INVESTMENT HAS BEEN MAINTAINED.

THE GROUP'S WORKFORCE TOTALLED 129,911 PERSONS AT 30 JUNE 1992 AS COMPARED TO 129,492 AT 31 DECEMBER 1991.

## PROFITS AND DEVELOPMENT

PROJECTIONS FOR THE FULL FINANCIAL YEAR 1992 INDICATE THAT STET GROUP SALES WILL GROW BY APPROXIMATELY 11%.

EXPECTED PROFITS FOR THE YEAR INDICATE A SATISFACTORY RESULT IN LINE WITH THAT FOR 1991, THOUGH BUSINESS ACTIVITY MAY BE SLIGHTLY AFFECTED BY PRESENT TENSIONS IN THE FINANCIAL MARKETS AND ADDITIONAL TAX BURDENS BROUGHT IN BY GOVERNMENT MEASURES WHICH ARE STILL TO BE FINALISED.

1992 HAS INDEED BEEN A KEY YEAR. IT CLOSES A PERIOD OF RAPID INVESTMENT WHICH BEGAN IN 1988 IN ORDER TO SATISFY A PARTICULARLY DYNAMIC DEMAND FOR NEW CONNECTIONS AND ALSO SPEEDILY TO MODERNISE THE NETWORK. THE PHASE NOW OPENING SEES A SETTLING DOWN OF DEMAND FOR NEW CONNECTIONS, COUNTERBALANCED BY A REQUIREMENT FOR ENHANCED PERFORMANCES. THIS EVOLUTIONARY SCENARIO PROMPTS US TO AN INVESTMENT POLICY IN LINE WITH OUR PRIME OBJECTIVE OF CONSOLIDATING CORPORATE PROFITABILITY.

THE GLOBALISATION OF ECONOMIES, AND THE PARTICULARLY CRUCIAL ROLE NOW PLAYED BY TELECOMMUNICATIONS IN THE PROCESSES OF PRODUCTION, MEAN THAT TELECOMMUNICATIONS THEMSELVES ARE NOW UNDERGOING RADICAL TRANSFORMATION. THERE IS A STRONG DRIVE TO DEREGULATE MARKETS AND AT THE SAME TIME TO WORK FOR PROGRESSIVE INTERNATIONAL INTEGRATION. THIS SHOULD BE COMPATIBLE WITH INCREASED DIVERSIFICATION AND THE GROWTH OF SERVICES.

THE MAJOR SERVICE PROVIDERS IN THE INDUSTRIALISED COUNTRIES ARE ALL TAKING UP THE CHALLENGE, USING A WIDER RANGE OF INSTRUMENTS AND VIGOROUSLY ENTERING FOREIGN MARKETS.

## ACTIVITIES ABROAD

IN THE FIRST SIX MONTHS OF 1992 THE STET GROUP HAS DULY INTENSIFIED ITS INTERNATIONAL ACTIVITIES. IT HAS SET UP STET INTERNATIONAL TO PROVIDE IT WITH MORE HANDS-ON MANAGEMENT OF TELECOMMUNICATIONS SERVICES IN FOREIGN COUNTRIES AND TO CONCENTRATE INTERNATIONAL SHAREHOLDINGS AND ACTIVITIES IN A SINGLE COMPANY. IT HAS WON THE CONTRACT TO OPERATE THE MOBILE TELEPHONE SERVICE IN GREECE, NO SMALL FEAT IN THE FACE OF COMPETITION FROM THE SECTOR'S MAJOR INTERNATIONAL SERVICE PROVIDERS AND OPERATORS. THE MANAGEMENT OF ARGENTINA'S TELEPHONE SERVICE HAS ACHIEVED EXCELLENT RESULTS, INCLUDING THE FINANCIAL RESULTS.

## TELECOMMUNICATIONS SOFTWARE

FOR LARGE SERVICE PROVIDERS, ANOTHER FUNDAMENTAL FEATURE OF THIS NEW PHASE IS THE INCREASING SOFTWARE CONTENT IN THEIR NETWORK SYSTEMS AND SERVICES. THERE IS, CONSEQUENTLY, A NEED TO CONTROL SOFTWARE DEVELOPMENT IN ORDER TO STAY COMPETITIVE WHILE ECONOMIC ACTIVITY BECOMES INCREASINGLY COMPLEX.

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## Gold tumbles while US backs are turned

ability over the next two years". Warburg suggests the gold price will average \$345 an ounce this year, move up to \$370 in the first half of 1993 and to \$380 in the second half.

## Fear of runaway environmentalism is likely to outweigh dissatisfaction with the president

said the other evening: "It ain't over till the fat lady votes".

# Russia plans to streamline oil sector

"There are indications of a growing conservatism [in the oil industry], based on social and political concerns rather than economic ones," he said.

## Think-tank urges energy conservation

**DITIES PRICES**

## Safety fears may force closure of Ekofisk tank

C/tonne		LONDON METAL EXCHANGE	
High/Low		Close	
666		Aluminium, 99.7% purity	
681		Cash	1169-70

## WORLD COMMODITIES PRICES

Aug	19.70	19.55	19.70	19.55
Sep	19.80	19.67	0	0

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**SOYABEAN MEAL 100 tons; \$/ton**

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	Close	Previous	High/Low	
Oct	178.1	178.0	179.0	176.5
Dec	180.9	181.2	181.9	180.0

	Close	Previous	High/Low
Mar	217 1/8	215 5/8	218 1/2 218 1/4
May	223 1/4	223 0/0	224 1/2 223 1/4
Jul	228 1/8	227 1/8	228 5/8 227 1/2
Sep	231 1/8	231 1/4	232 0/0 231 1/8
Dec	235 0/0	235 0/0	235 0/0 233 3/8

WHEAT 5,000 bu min; cents/80lb-bushel

	Time	Previous	High/Low
Oct	43.576	42.575	43.700
Dec	44.850	43.300	44.750
Feb	43.576	42.525	43.600
Apr	41.575	40.825	41.700
Jun	46.325	45.700	46.325
Jul	45.600	45.250	45.700

Aug	41.075	38.950	41.075	41.000
				40.000



# European Finance and Investment: France

Tuesday October 13 1992

The short-term problems of an economic slowdown and political uncertainty ahead of legislative elections pale beside the need to secure France's future as a vibrant and well-capitalised financial centre. Alice Rawsthorn reports

## Pensions and privatisation

THE very best brains in the French civil service reputedly almost always find their way to the finance ministry at Bercy in eastern Paris. The Bercy bureaucrats are even busier than usual these days as they labour away on two areas of immense importance to France's financial sector - privatisation and pension reform.

The French government has since last autumn been working on plans to sell off part of its holdings in France's state-controlled companies and on liberalising the pension system. These legislative initiatives will, France's bankers and brokers hope, provide a sorely needed stimulus for the entire financial system.

France's financial sector has just emerged from a period of radical reform. The old rules and rituals that had regulated banking, broking and insurance have been overhauled. Closed markets have been opened. State-of-the-art technology has been introduced. The old *agents de change* who used to populate the Paris stock market have been chased away by the securities subsidiaries of the big French banks and global financial groups.

In theory, the French system ought to be operating as a thoroughly modern market. But in practice its progress is still impeded by the lingering legacy of the old government con-



The commercial district of Lyon, with the offices of Banque Populaire (left) and Crédit Lyonnais (right)

One reason why French financiers are so eager to loosen the state controls is that, in sectors such as insurance and banking, they make it more difficult for French companies to compete in increasingly competitive and international markets.

So far, France's insurers and banks have emerged relatively unscathed from the global economic slowdown. They have been affected by the sluggish state of the French economy, specifically by its impact on their industrial investments and property holdings. Both sectors have produced a series of lacklustre interim results this autumn, reflecting competitive market conditions and hefty rises in provisions on bad debts and risky property investments.

But the French insurance and banking groups have been spared the financial crises that

Paris (UAP) and the GAN Group, as well as AGF - feel they are at a commercial disadvantage in that they cannot tap the markets for capital and have to finance their expansion internally. As state-controlled companies they are also unable to invest in the US market.

There is also the risk of conflict between the state's expectations of the nationalised banks, Banque Nationale de Paris (BNP) and Crédit Lyonnais, and the international regulations on issues such as capital standards, with which they must comply. The banks come under criticism from international banking analysts for the arrangements whereby they "voluntarily" take stakes in other state-controlled concerns. These deals are not always to the banks' disadvantage. Crédit Lyonnais has used them to extend its equity base and

parts in London and New York. French pensions are paid by the Caisse de Retraite on a cash management basis from money received from those in work. This means that private pension funds are virtually non-existent, representing just 10 per cent of the Paris market against 60 per cent in London.

These problems should be alleviated over the long term by the combination of privatisation and pension reform. The socialists have already begun both programmes although, so far, their progress has been slower than the financial sector - and the politicians - had originally hoped.

Partial privatisation started with the sale of minority stakes in Elf Aquitaine and Total, the oil groups, and the Crédit Local de France bank. The government also hopes to float holdings in several other companies, including the insurers, but ironically, its plans have been hampered by the depressed state of the stock market.

However Mr Bérégovoy and Mr Sapin, his successor as finance minister, are still committed to partial privatisation and will undoubtedly revive their plans as soon as the market recovers. In the long term, it is expected that privatisation will be extended to the banks. The programme is expected to accelerate if the conservatives oust the socialists in next spring's legislative elections.

Mr Bérégovoy has also been stymied in his plans for pension reform. The French government, whatever its politics, has no option but to revise the pension system, which was conceived in the post-war period when France's growing young workforce was easily able to pay pensions for the retired population.

The system has come under strain as the population has aged and the situation is set to worsen. By the year 2020 there will be more people drawing pensions than there will be in work to pay for them. The obvious solution is to supplement the state system with private pensions, as other countries have done.

Some progress has been made. Mr Bérégovoy recently announced the launch of a *plan d'épargne de retraite* pension savings scheme. However, his hopes of tabling more ambitious proposals, possibly by introducing corporate pension schemes, have been hindered by the opposition of the trade union lobby, which has campaigned against any relaxation of the state's responsibility for pension provision.

The Bercy bureaucrats have also balked at the logistical difficulties of pension reform, notably the problem of persuading the French electorate to pay extra money for private pensions at the same time as they are already funding the state scheme.

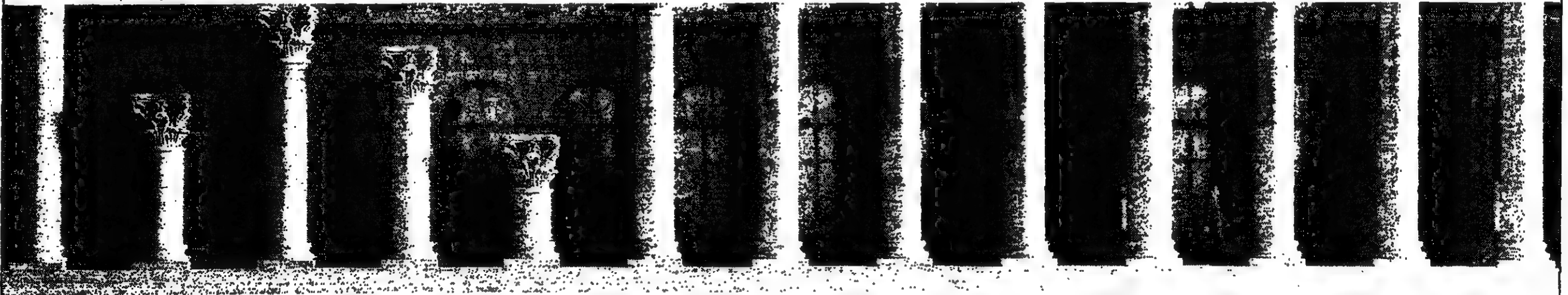
"There is no easy answer," says Mr René de la Serre, chief executive of the Crédit Commercial de France banking group, who is an enthusiastic advocate of pension reform. "This is a complicated issue, but one thing is certain. In 15 or 20 years France will have the benefit of its own private pension funds."

Fifteen years seems a long time to wait, but the consensus among France's financiers is that it will be worth it. The short-term problems of the economic slowdown and the political uncertainty ahead of next spring's legislative elections pale beside the need to secure France's future as a vibrant, well-capitalised financial centre.

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EUROPEAN FINANCE AND INVESTMENT: FRANCE 2

Alice Rawsthorn reports on the launch and likely impact of a new type of insurance business

# Challenge to the agents' networks

THERE is a shiny new suite of offices in Nanterre, a sprawling suburb to the west of Paris, where a team of people have been beavering away on the launch of a brand new business - Direct Assurance.

Direct Assurance is a subsidiary of Axa, the second largest French insurance firm. It has been set up specifically to sell a narrow range of insurance policies by direct marketing, rather than through the national network of agents that sell Axa's usual portfolio of insurance products.

For Axa the new company represents the culmination of two years of planning and preparation. "This is an important project for us," says Mr Gérard de la Martinière, chief executive of Axa. "At the moment we are operating on a small scale, but if Direct Assurance succeeds it could eventually become an important part of our business."

Direct Assurance also has implications for the rest of the FF449.2bn French insurance industry. Its success might catalyse radical changes in the whole French insurance market.

At present the industry is dominated by networks of agents, who deal exclusively in

the products of particular companies. This means that it takes a long time, and lots of money, for newcomers to build up the necessary networks in order to establish themselves in the French market. As a result the agency system has helped protect the big French insurers - which include state-controlled companies such as Union des Assurances de Paris (UAP), Assurances Générales de France (AGF) and the GAN Group, as well as Axa - against competition within France and from their competitors in other countries.

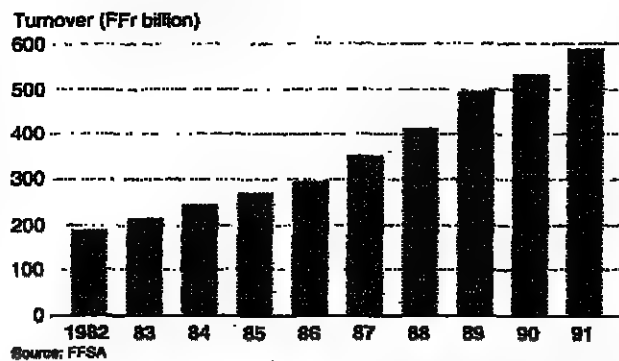
All that could change if Axa establishes the principle of direct insurance sales. It would then become much easier and cheaper for newcomers to enter the French market. Axa's initiative comes at a sensitive time for France's insurance companies. So far they have fared rather better than their international competitors, notably the US and UK insurers, at withstanding recession-

ary pressures.

The French insurers have reasonably good growth prospects in the FF128bn life market, particularly in the light of the ongoing reform of the French pension system. Moreover, the level of competition is lessening slightly in the FF189bn non-life market. The *mutuelles*, which enjoyed frenetic growth in the 1970s and 1980s by selling insurance to particular groups of clients such as public sector employees, seem to have reached their peak.

But there are problems on the horizon. In the long term Direct Assurance could pave the way for other direct operations, thereby making it easier for new competitors to move into the French market. A more immediate cause for concern is the change in the economic environment which is making it more difficult for French insurers to use the profits from their financial activities to compensate for the

## French insurance companies



financial pressure on their non-life business.

"Since 1984 the industry benefited from four factors: disinflation, high real interest rates, a strong stock market and a buoyant property market," says Mr Michel Albert, chairman of AGF. "Only one of those factors remains - interest rates are still high in real terms. From now onwards the

French insurance groups will have to be more rigorous about the way they run their businesses."

This rigour is already apparent. Since last autumn the big insurers have been raising tariffs, particularly in the most competitive sectors such as motor insurance, as, one by one, they have decided to forfeit market share to protect

profitability. In the long term, direct selling schemes, such as Axa's Direct Assurance initiative, also offer scope for improving efficiency by enabling the insurers to cut costs by by-passing the agency networks.

The French insurers are also likely to become more rigorous in their approach to international expansion. Most of the major groups expanded actively into other countries in the late 1980s, culminating in Axa's investment in Equitable Life, one of the largest US insurers. The investments continue. AGF has been pressing ahead with its move into Germany by taking a stake in AHB. UAP hopes to follow suit by concluding its long running negotiations with Suez, the French industrial group, over a proposed investment in Colombia.

The rate of expansion may now slow down, partly because the French insurers have to consolidate their recent invest-

ments, and partly because of the change in economic conditions. "Insurance acquisitions are not particularly cheap and they require a long-term approach to investment," says Mr Derek Elias, European insurance analyst at Paribas. "The French tend to be more willing to be long-term investors, certainly more so than their UK competitors. But there are likely to be fewer international deals in future."

At the same time the state-controlled insurers are about to come under the spotlight in the French government's partial privatisation programme. If the socialists stay in power, the government is expected steadily to reduce its investment in UAP, AGF and GAN, probably through a series of minority stake sales. This programme will probably accelerate if the conservatives return to power in next year's legislative elections.

Partial privatisation is not expected to make much differ-

ence to the management of the insurers. The government still appoints their chairmen, on a three yearly basis, but otherwise relations are fairly distant as Mr Jean Peyrelevade, chairman of UAP, illustrated this summer when he threatened to withdraw cover from the regional blood transfusion centres involved in the controversial HIV blood trial.

UAP maintained it was not obliged to honour its policies as the centres had, without its knowledge, been knowingly using HIV-infected blood in transfusions. The government, already clouded by criticism over the involvement of senior socialists in the trial, insisted that UAP withdraw its threat. UAP did so. But the incident demonstrated its determination to operate independently of the state.

However, partial privatisation should eventually free the state-controlled companies from their current financial constraints. At present, they have to finance expansion from their own resources as they are not allowed to tap the markets for funds. Such constraints should diminish in future thereby completing the modernisation of the French insurance industry.

## BANKS

# Only one horror story

WHENEVER international bankers get together, the fate of Crédit Lyonnais, one of the biggest of France's big banks, and Mr Jean Yves Haberer, its enigmatic chairman, is almost always on the agenda, writes Alice Rawsthorn.

These are turbulent times for Crédit Lyonnais. In the past four years Mr Haberer has pursued a relentlessly ambitious strategy of international expansion and aggressive lending. His aim was to turn Crédit Lyonnais from a staid, state-controlled French bank into a power in the international financial arena.

He may yet succeed. The international investments Mr Haberer made in the late 1980s might have seemed expensive at the time, but they have left Crédit Lyonnais with an impressive European branch network. However, his equally ambitious approach to lending has left his bank uncomfortably close to the top of the creditor list of most of the corporate horror stories of the past year or so. Mr Robert Maxwell, the disgraced British media baron, Olympia & York, the collapsed Canadian property company, and MGM, the

stricken Hollywood movie studio all owed money to Crédit Lyonnais.

Mr Haberer's critics had a chance to assess his strategy when Crédit Lyonnais' interim results came out last month. The successful international expansion fuelled a healthy increase in net banking income. But the lengthy list of bad debts and sour investments produced an equally healthy (or unhealthy)

**Crédit Lyonnais was the exception, rather than the rule, in pursuing so risky a strategy**

increase in provisions. As a result Crédit Lyonnais came within a whisker of a loss, when net profits plummeted from FF1.6bn to just FF119m. Luckily for the rest of France's banking industry, Crédit Lyonnais was the exception, rather than the rule, at having pursued quite so risky a strategy. "The French banks have been under heavy pressure this year because of general market pressures and the increase in bad debts," says Mr

Keith Brown, European banking analyst at Morgan Stanley in London. "No-one expects to see particularly exciting results for 1993, but, with the possible exception of Crédit Lyonnais, we do not expect to hear any horror stories."

One of the main problems for the French banks is the level of competition within their domestic market. The market has long been competitive, but this problem is now aggravated by the slowdown in the economy and by high real interest rates which have depressed demand for credit from consumers and the corporate sector alike.

"There are 17 commercial banks operating in the French market," says Mr René de la Serre, chief executive of Crédit Commercial de France, a leading bank. "It is possible that, in the long term, the number will be reduced. But in the meantime there will continue

to be strong competition and fierce pressure on margins."

Even if Mr de la Serre is right and the number of banks does fall, the banking industry could still face future competition from new sources such as the post office and the increasingly aggressive French insurance groups.

The banks are already reacting to these short and medium term pressures with long-term programmes of cost-cutting and investment in technology. So far, they have been reasonably successful. Both CCF and Banque Nationale de Paris managed last year to keep the cost increases in their domestic networks below the inflation rate. Société Générale recently unveiled an ambitious plan to shed 2.5 per cent of the staff in its branch network every year for the next three years, thereby reducing its workforce by 1,600. These overhead initiatives

have been helped by the banks' investment in technology which is not only enabling them to operate more efficiently but also to improve customer service. Mr de la Serre suspects that the banks are only just starting to feel the financial benefits of this investment.

However, in the short term the economic slowdown poses another problem for the French banks because of its impact on the value of their holdings in the property and stock markets, as well as on their corporate loans. The sharp rise in business failures, particularly among small and medium-sized companies, combined with the precarious state of the property sector means that all France's banks, not

just Crédit Lyonnais, will be hit by high provisions this year as the recent results from Paribas and Banque Indosuez illustrate.

"The economic slowdown has created problems that none of the banks can avoid," says Ms Sheila Garrard, banking analyst for Shearson Lehman in London, which recently published a circular entitled *Toujours Provisions - A Travelers' Guide to the French Banks*.

France's investment banks are also exposed to the market downturn as well as being affected by the slowdown in corporate activity. Paribas, which posted its first-ever loss in 1991, is now in the throes of a cost-cutting programme.

However, the longer-term prospects for the investment

banks are reasonably bright. Although some French investment banks, notably Paribas, have succeeded in establishing themselves in the international marketplace, most have been constrained by the comparatively sluggish state of the domestic market, specifically of the Paris stock market.

This should change over the long term. First, French companies which, however noisily they may mean about France's

**However noisily they mean, French companies may gain from the strong franc**

economic slowdown, have been much more sheltered from recession than their Anglo-Saxon competitors, who will take advantage of the strong franc to accelerate their international expansion over the next year or so.

Second, the level of activity in the Paris stock market

should improve, as government initiatives, such as privatisation and pension reform, take effect. These initiatives ought to provide more equity for the market and also new sources of investment thereby alleviating its long-term liquidity problem. It remains to be seen whether the banks themselves will, like their corporate clients, use the strong franc as an opportunity to accelerate their investments in other countries, or whether they will be dissuaded from doing so by concern about the level of their provisions.

Crédit Agricole recently signed a partnership agreement with DG Bank of Germany, as did BNP with Dresdner Bank. Crédit Local de France has diversified into the UK, where both BNP and CCF are also reported to be considering new investments. As for Crédit Lyonnais, Mr Haberer has made it quite clear that he plans to press ahead with its successful European expansion whatever his critics say.

## Profile: Bérégovoy and Sapin

# A hard act to follow

SOME acts are impossible to follow. Mr Pierre Bérégovoy in his old role as France's finance minister may have been one of them, writes Alice Rawsthorn.

Mr Bérégovoy, 68, dubbed by the dealers on the Paris markets as *Super-Bé* and *Bé-la-Rigueur*, in deference to his rigid economic strategy, was finance minister on and off from 1984 until April this year when he succeeded Ms Edith Cresson after her short, ill-starred stint as France's first female prime minister.

The apparently thankless task of taking on Mr Bérégovoy's old role fell to Mr Michel Sapin, 40, then junior justice minister. So far Mr Sapin has done pretty well, if only because, from the very beginning, he made it quite clear that he had absolutely no intention of trying to out-manoeuvre *Super-Bé*.

"One does not succeed Pierre Bérégovoy," he said when he accepted his new job. "One continues where he left off." The new finance minister, a lawyer by training, has limited his pronouncements on economic policy to Bérégovoy references on the importance of restraining inflation and protecting the franc.

Meanwhile Mr Bérégovoy clearly has no intention of relinquishing his control over the economy. At the finance

ministry he extended his influence over a wider sphere, by taking on two additional portfolios - trade and industry - to create his own super-ministry. But one of his first acts after naming Mr Sapin as his successor was to dissolve the super-ministry. This created three fully-fledged ministers - Mr Sapin for finance, Mr Dominique Strauss-Kahn for industry and Mr Michel Charasse for the budget.

Mr Bérégovoy then announced a cut in certain categories of value-added tax and warned that France was about to breach its target budget deficit. Both statements would usually have come from the finance ministry, not the premier's office.

If Mr Sapin minds, he is too sensible to show it. President Mitterrand has, after all, given Mr Bérégovoy virtually a free hand to pursue one of the most rigorous economic policies in Western Europe since the collapse of the socialist's expansionist economic strategy in the early 1980s.

The French financial markets have been perfectly content with his rigid approach. Mr Bérégovoy may not have succeeded in persuading the international investment community that France's inflation has been so low for so long that the franc really should be a substitute for the D-Mark, but France has had the benefit of economic stability. As the National Assembly elections approach, economic analysts agree that, whatever the result, it will make little difference to the management of the French economy.

In many respects Mr Bérégovoy is an improbable architect of that strategy. He is the one truly working class member of Mr Mitterrand's cabinet, who began his working life as a milling machine operator, later becoming a railwayman and moving into politics from a post as management assistant at Gaz de France, the state-controlled utility company.

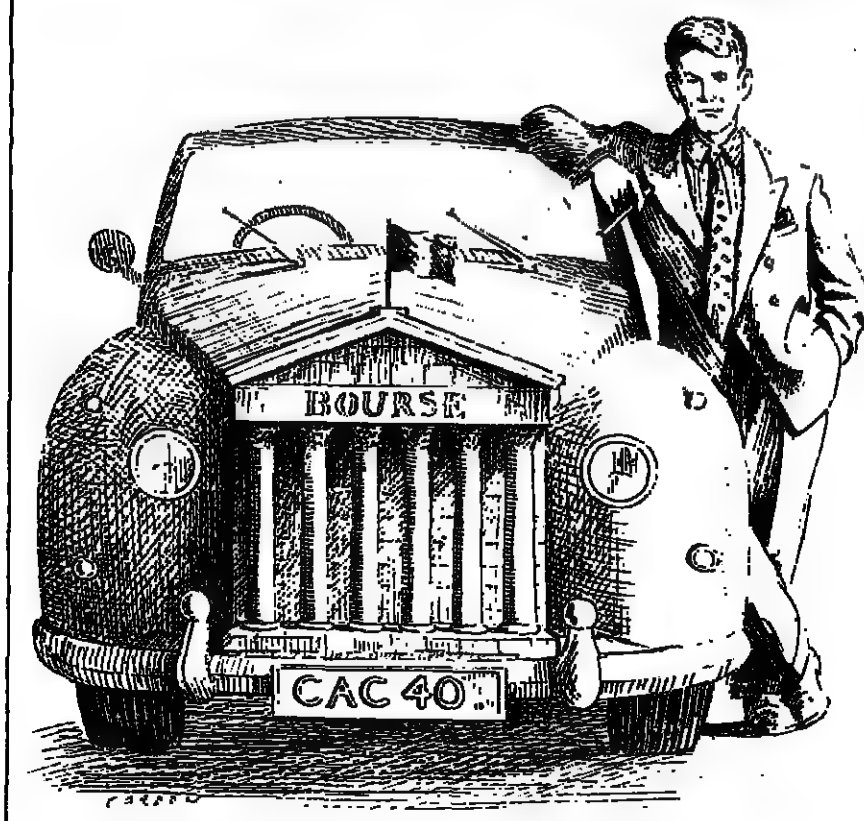
He is fond of stressing his lowly origins, mindful of the accusations of elitism levelled at his *gauche caviar* colleagues in the senior ranks of the socialist party. The French media has portrayed him in a homely light. One magazine cover showed the bespectacled face of the French prime minister beaming above workman's blue overalls, his hands clutching a set of spanners.

This is not the stuff that economic strategists are usually made of, particularly in France where most prominent politicians and financiers come from affluent families and can boast a string of degrees from the elite *Grandes Ecoles*.

Mr Sapin conforms to type. The mild-mannered finance minister was born into an *haute bourgeoisie* family in Boulogne and rounded off his education at the snooty *Ecole Nationale d'Administration*. Unlike his predecessor, he led a conventional career in public service before going into politics.

Whatever the differences in their backgrounds, Mr Sapin and Mr Bérégovoy, to the relief of the French financial markets, agree on economic policy. "Our economic strategy is the right one," said Mr Sapin shortly after taking up his new boss's old job. "We have no reason to deviate from it."

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EUROPEAN FINANCE AND INVESTMENT: FRANCE 3

THE CORPORATE SECTOR

# The waiting gets longer

LIKE many of their European competitors, French companies are tightening their belts as they wait for what has been an unexpectedly long economic slowdown to draw to an end.

France's corporate sector is having a lacklustre year, with a sad litany of profits declines or missed profits targets, a slowdown in internal investment and in mergers and takeovers.

Yet French companies are better equipped to sit out this difficult period - it is not, technically, a recession - than they were in the last economic slowdown in the early 1980s.

They are leaner and fitter after nearly a decade of wage restraint, low inflation and workforce reductions. Last year, France's top 50 companies made a 2.8 per cent average reduction in their workforces, the biggest cut for many years, with the heaviest job losses coming from Usinor-Sacilor in steel, Air France, Renault and Peugeot in cars, Michelin in tyres, and Bull and Thomson in electronics.

The cost of this economic virtue has been to leave France with one of the highest unemployment rates in the Organisation of Economic Co-operation and Development. The reward has been a gain in French companies' international competitiveness as shown by a rise in French exports' average market share in the 11 other members of the European Community from 9.9 per cent last year to 10.3 per cent in the first eight months of 1992, the highest since the 1960s, according to the Direction des Relations Economiques Extérieures. France's top 50 groups now have an average of nearly 60 per cent of their sales abroad, according to Crédit National, the state-owned bank.

The problem is that these export gains are fragile for French companies' main export markets, Germany, Italy, the Benelux countries and Luxembourg, are as much in the doldrums as is France.

At home, the outlook for domestic demand is just as gloomy. Mr Pierre Bérégovoy, the prime minister, would love to help the corporate sector by kicking the economy back to life with a drop in interest rates. Yet his policy of defending the franc leaves him with no room for manoeuvre to stimulate domestic demand.

The crisis on currency markets in recent weeks has underlined how closely French monetary policy is shackled to the high interest rate policy of the Bundesbank.

So it is no surprise that French companies have just turned out a series of dreary results for the first half of this year. The construction industry has been especially hard hit, with lower sales in the first half from Fougère and Lafarge Coppée, the cement group, near stagnant turnover from Poliet in cement and Bouygues and Spie Batignolles in construction.

Other pillars of French industry to have published disappointing news recently include the Rhône-Poulenc chemicals group, with a profits warning for the third quarter, the Renault Véhicules Industriels truck maker with increased first-half losses and a missed profits forecast from Club Méditerranée, the holiday village operator.

Some, encouragingly, have shown that they have cut costs so hard that they are able to produce a profits increase even on a meagre increase in sales. Michelin, the tyre maker and Valeo, the car components producer, are cases in point.

If French industry has responded to the slowdown by

sharpening its competitiveness, the government is deeply worried that companies have slashed their investments plans so heavily that they risk losing that advantage when the upturn arrives. The top 50 groups cut their investments by 6.7 per cent last year and will reduce capital spending by 3.8 per cent in 1992, says a study by Crédit National.

Another concern is the corporate sector's relatively high indebtedness. On average, the top French companies' debt gearing stands at 70 per cent of shareholders' funds, while German gearing is 25 per cent, says the Crédit National study, carried out with its German partner, Industriekreditbank.

Several large French companies have borrowed heavily to pay for overseas acquisitions in recent years. Some of these takeovers occurred at the peak of the previous upturn, just before the recession hit. Michelin's acquisition of Uniroyal Goodrich, the US tyre maker, and Saint Gobain's acquisition of Norton, the US abrasives group, are prime examples.

The pace of overseas acquisitions by the biggest companies has fallen off sharply since those big purchases in 1990, so that the value of foreign takeovers by the top 50 fell by 24 per cent to FF60bn last year, putting an end to four straight years of growth.

All the same, there have been some spectacular deals in the past year. These include the FF12.8bn purchase by Schneider, the electrical equipment group, of Square D, its US competitor, one of the few occasions that a French company has made a successful hostile bid in the US.

The past year also saw the £300m acquisition of US oil group Amoco's UK petrol station and refining interests by Elf Aquitaine; the FF3.8bn acquisition of the transmission equipment division of Rockwell International by Alcatel Alsthom, the telecommunications group; and hotel operator Accor's FF3.2bn bid for Wagons Lits, the Franco-Belgian travel group.

Equally, France has been on the receiving end of some big acquisitions in the past 12 months. Overseas bidders have been helped by the relaxation of most controls on foreign investment. Moreover, the advance of liberal economic and industrial policies in the Socialist administration has meant the government has reduced interference in the market, with the exception of one or two important issues of industrial policy.

Revealingly, the government did not lift a finger to find a French solution to the FF15.46bn takeover battle for Perrier, the mineral water group, once seen as a sacrosanct part of corporate France. In the end, Nestlé, the Swiss food multinational, fought Italy's Agnelli family through the courts to win with a FF15.46bn offer. Such an open and highly publicised bid battle would have been unlikely only a few years ago.

Daimler-Benz, the German cars and aerospace group, was last year given a free hand to take a large minority stake in Sogeti, the holding company which controls Cap Gemini Sogeti, Europe's largest computer services group and one of France's postwar industrial successes, with an option to take full control. Similarly, the Japanese car group Nissan was permitted to take control of its French distributor, after a decade of official resistance to building up a significant stake.

All this points to a liberal political climate for the corporate sector, even if the economic outlook is dull. This liberalism looks set to continue or accelerate if, as is likely, the Socialists lose to the conservatives in the next legislative elections in March.

William Dawkins

FRANCE remains very well placed to stage a strong economic recovery. But the political and monetary ructions in France and Europe seem endlessly to push that recovery to the horizon.

The country has inflation which is low and apparently stable, running at less than 3 per cent a year. The pay-off for this considerable achievement has been a lower rate of industrial wage costs than elsewhere in Europe. This in turn has helped push the trade balance into the black, with a FF19.35bn surplus in the first eight months of 1992.

It would therefore seem that France is exceptionally well placed for vigorous, non-inflationary, export-led expansion, and that the government's predictions of steady rise in growth - from 1.25 per cent last year to 2.1 per cent this year and 2.6 per cent next year - are entirely credible. But they are not.

The reason is the precarious strength of the franc, in the context of the continued tensions within the European Monetary System and the Community about ratifying the Maastricht treaty. As finance minister and (since March 1992) as prime minister, Mr Pierre Bérégovoy has made it the cardinal point of his economic policy that the franc should stay shackled to the D-Mark.

This policy of the "franc fort" had already borne fruit in lowering inflation and improving French industry's competi-

tiveness abroad. And the government showed it had no intention of abandoning the policy when - for several unnerving days in late September - the money market speculators, having forced sterling and lira out of the EMS parity grid and into devaluation, turned their unwelcome attention to the franc.

With help from the Bundesbank, the franc held its parity with the D-Mark. But victory was costly. The Banque de France virtually exhausted its foreign exchange reserves. There is a feeling that speculators are looking for any sign of weakness to resume their attack. So interest rates remain uncomfortably high, with the base rate still almost seven percentage points over that of inflation. The finance ministry has been quite unable to deliver on its earlier hints that if France voted for Maastricht in the September 20 referendum, it could expect lower interest rates.

Nor does the 1993 budget, which the government unveiled on September 30, provide any real give on the fiscal side. The budget plan provides for less than a 1 per cent real increase in spending, and only FF4.5bn in new tax breaks. This represents a considerable

## Why economic recovery remains endlessly on the horizon

# The Achilles franc

degree of political self-restraint, given the fact that the deeply unpopular Socialist government faces a parliamentary election in six months. As a result, the deficit is set to rise to FF165bn next year, from an estimated FF135bn this year. Yet, even at this level, the 1993 budget deficit would only represent about 2.2 per cent of gross domestic product, a ratio which most other European

in flagellating the French economy with tight monetary and fiscal policies is that to do anything else risks the entire collapse of its European policy. With the trauma of the Maastricht referendum behind it, it is now pushing Britain, and eventually Denmark, to ratify the treaty.

If the franc were now forced into a devaluation against the D-Mark, this would risk stri-

become almost inured to the unemployment rate as something which only long-term training programmes, rather than quick-fix pump-priming measures, can improve. In any case, the party theoretically best placed to exploit unemployment - the Communists - is a spent force.

The latter's concern is overwhelmingly with the centre-right opposition, which has been left largely without any distinctive economic policy to propose since the Socialists stole the middle ground in the mid-1980s. The opposition has attacked the government's 1993 budget plans for letting the deficit spiral upwards, for giving too loose a rein to spending, for making investment and wage commitments for which the full bill will only become evident in the late 1990s, but also for not giving enough tax breaks to the middle classes. Some of these criticisms are contradictory.

The opposition, of course, claims to have an alternative programme. As Mr Alain Juppé, secretary general of the RPR, explains, this would involve a substantial privatisation drive, bringing to the state coffers some FF200bn over three years, some of which would be redirected to ease the

There is a feeling that speculators are looking for any sign of weakness to resume their attack. So interest rates remain uncomfortably high while the budget plan provides for less than a 1 per cent real increase in spending

countries would envy.

Is the government courting electoral suicide with continued austerity? Probably, but most Socialists accept they are doomed to defeat in next March's legislative elections. An October 1 opinion poll, coming the day after the presentation of the budget, showed 44 per cent support for the two main opposition parties - the RPR and the UDF - and only 20 per cent for the Socialists.

The most obvious reason why the government persists

king the heart out of the EMS and proving all Maastricht's sceptics and opponents right in their contention that Europe is not ready to move to economic and monetary union.

But there are domestic political motives for the government to stick to its policies of fiscal and monetary orthodoxy. Certainly, these have helped create the one real black spot in the French economy - the nearly 3m unemployed which give France one of the highest jobless rates in Europe. But the government seems to have

capital needs of companies still left in the state sector and the rest used to finance tax concessions. General spending would be allowed to rise no higher than the inflation rate, partly by putting to more efficient use the large amounts of money that the Socialists have directed into sectors like education.

But there is no reason to suppose France's probable next government, that of the centre-right, will not face the same fundamental constraints - the need to keep the franc and France at the forefront of the move towards monetary union - as the Socialists, or that it will act with any less monetary and fiscal rigour than Mr Bérégovoy's government.

There are few French politicians who believe the country can afford the luxury of a more flexible exchange and interest rate policy of the kind that Britain is now indulging in. Mr Philippe Séguin, a former RPR minister, for instance, has argued for more frequent realignments within the EMS, and by implication a devaluation of the franc, while Mr Jean-Pierre Chevènement, a former Socialist minister, suggests that the only way France can regain its economic freedom of manoeuvre is to quit the EMS altogether. But both men were leaders of the No to Maastricht campaign, and in losing the referendum, they effectively lost their argument as well.

David Buchan

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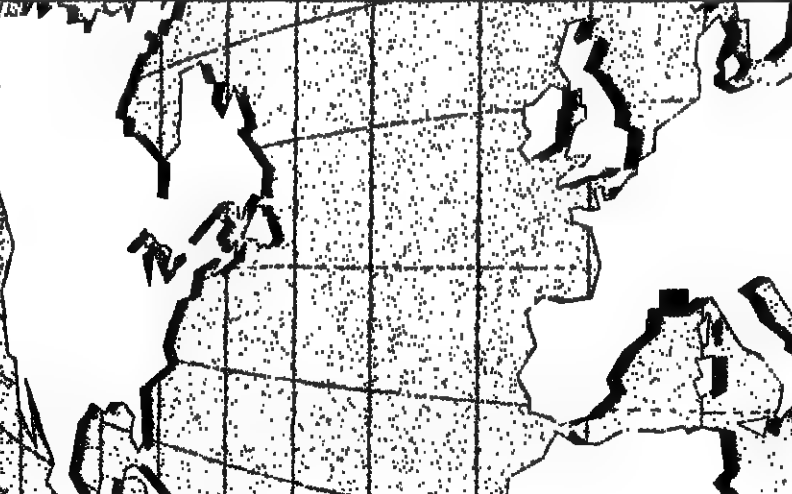
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## EUROPEAN FINANCE AND INVESTMENT: FRANCE 4



Jean Peyrelevade



Jean Yves Haberer



Claude Bébér



Gérard Worms



René Thomas

Alice Rawsthorn profiles five influential figures in the business world

## Contacts help men at the top

**JEAN PEYRELEVADÉ.** The chairman of Union des Assurances de Paris, France's largest insurance group, Mr Peyrelevade has impeccable political contacts reaching to the top of the ruling socialist party.

The son of a Marseilles school teacher, he began his political career in the private office of Mr Pierre Mauroy, the first prime minister of the Mitterrand era. He was rewarded with the chairmanship of Suez, only to be booted out in 1986 when the socialists lost power to the conservatives. Two years later he returned to the financial mainstream with the top job at UAP.

But Mr Peyrelevade is far from being a tame political appointee. He emphasised his independence this summer when UAP threatened to refuse to honour insurance policies for transfusion centres that had been distributing infected blood, thereby adding to the government's embarrassment over the HIV blood trial.

**JEAN YVES HABERER.** Described as "cold", "calculating" and "cunning", Mr Haberer, 59, is the most controversial figure in French finance. In his four years as chairman of Crédit Lyonnais, he has steered the bank towards an audacious strategy that has provoked grudging admiration from some observers and ill-disguised alarm from others.

At one stage, it seemed as though his audacity might cost him his job in this summer's review of the heads of state companies. But the appointment of Mr Pierre Bérégovoy, a political friend, as prime minister paid to that, though Mr Haberer has since pursued a more moderate strategy.

His critics are now biding their time until the next general elections. If the Bérégovoy's socialists win, Mr Haberer will probably stay. But if Mr Jacques Chirac's conservatives return to power, he might find himself out of a job.

**CLAUDE BÉBÉR.** "For years no-one wanted to work in insurance, it was too boring," says one French financier. "Now that's changed and it's all thanks to Claude Bébér."

Mr Bébér, 57, worked his way up from a provincial bourgeois background to become chairman of Axa, the biggest private sector insurance group, and one of the very few truly populist figures in French finance.

He has proved that insurance can be fun by staging a series of takeover bids. After battling against Bouygues, the powerful construction group, over the Drouot insurance company, he won control of Equitable Life, a big player in US insurance, thereby turning Axa into a significant force in the international arena.

A close associate of former president Valéry Giscard d'Estaing, he is the founder of the *Entreprise et Cité* club, which includes many of France's dynamic industrialists.

**GERARD WORMS.** When he became chairman of Suez in 1980, Mr Worms' chief challenge was to declare it independent from its main investor, Union des Assurances de Paris.

This task appeared to be difficult. Not only was Suez still struggling to digest Société Générale de Belgique after its acquisition in 1989, but Mr Jean Peyrelevade, UAP's charismatic chairman, had been one of Mr Worms' predecessors in the Suez chair.

Luckily for Mr Worms, 56, he has had an ideal opportunity to demonstrate his autonomy during the negotiations over UAP's minority stake in Victoire, a French insurance company under Suez control.

Mr Peyrelevade hopes to swap all or part of UAP's stake for a 50 per cent share of Colonia, a German insurer. So far his hopes have been dashed. UAP is in a weak negotiating position - a situation that Mr Worms has not been slow to exploit.

**RENE THOMAS.** One of the golden rules of French industry is that no state-appointed company chairman should stay in their jobs over the age of 65. Yet Mr René Thomas, 63, chairman of Banque Nationale de Paris, the biggest French bank, will break the golden rule by reaching the official retirement age during his current three-year term of office.

In theory, he should have retired this summer at the end of his last three-year term. The government cast around for a successor, but there were no suitable candidates. And Mr Thomas, who has spent most of his career at BNP, is so uncontroversial that there was no reason for him to go.

Mr Thomas has strengthened his links with the left (his wife works for President Mitterrand) while also nurturing new contacts on the right, thereby becoming one of the few chairmen of a state-controlled bank to have hung on to his job during cohabitation.

## French banks in London

### Lure of the City

**STRUGGLING** in the recession but still determined to be significant players, France's big banks are having another difficult year in the City of London.

The French are busily reducing staff and cutting costs in their UK subsidiaries, which are often at the heart of the international operations. Having increased their London presence on a grand scale in the 1980s, French banks now share the predicament of the rest of the British financial sector. If most think 1992 will not be too bad, it is only by comparison with previous years.

The French were hard hit by corporate collapses such as British & Commonwealth, Polly Peck and Brent Walker. Last year, the Maxwell saga proved expensive for Crédit Lyonnais, Banque Nationale de Paris, Crédit Agricole and Société Générale. French banks came second only to the British in the list of Maxwell lenders.

So far, 1992 has been quieter, but that does not mean results will be much better at the end of the year. "Twelve months ago we believed that all the firms which would collapse had already done so," says one French banker in London. "We were wrong. Some companies that were relatively strong in 1991 are now far weaker."

One problem is the precarious state of the property market. Crédit Lyonnais, for one, was a heavy lender to Heron and Mountleigh. It was also a big creditor of Olympia & York, the stricken Canadian property group behind the

Canary Wharf development, but this business was not booked in London. In the leisure industry, Mowat's demise hit Banque Indosuez.

Some French banks such as BNP, Paribas and Société Générale expect to make a profit, albeit a modest one, in 1992. Others, like Crédit Lyonnais, say they will still be in the red. Unsurprisingly, the banks are now emphasising rigorous management. The days of generous lending are over. "We do not want to develop relationships with customers based only on credit," says Mr Denis Antoine, head of Paribas in London. "It must be part of a broader package, together with other financial products such as swaps."

Management rigour often implies cost-cutting. BNP will employ 300 people in the UK by the end of the year, down from 350 a year ago and from 460 four years previously. Indosuez now has 235 staff, against 330 three years ago.

Another common characteristic of rationalisation is a move towards better co-ordination between the banks' traditional branches and their financial market subsidiaries. Banque Paribas and Paribas Capital Markets will be housed under the same roof by December. At Société Générale, Mr Patrick Pagni, the new chief executive of the branch, was previously in charge of the brokerage subsidiary, Société Générale Strauss Turnbull.

Trying to make the most of huge debt issues is viewed as important. "This group has to take an active role in creditors' committees," says "We want our money back," just like Margaret Thatcher with the European Community," says Mr Olivier Mas, chief executive of Crédit Lyonnais in London. The scenario is not entirely

gloomy. Most French bankers in London are trying to invest and develop some activities. Many, such as BNP, put the emphasis on what they see as the strongest market in the City of London: treasury and foreign exchange operations.

Similarly, Société Générale wants to focus on large and medium-sized companies with international operations.

Paribas wants to develop its corporate UK client base. "Until recently we were using London as an international financial centre and neglecting the domestic side," says Mr Denis Antoine. "We would like now to be seen more as a British bank."

Crédit Lyonnais is more ambitious than its compatriots. In the past two years it has opened 10 branches throughout Britain, aimed at middle-size companies, and more are to come. "The next step is retail banking," says Mr Mas. "We would need several dozen branches by 1995."

The only French bank in Britain with an expanding staff, Crédit Lyonnais employed 420 in 1990 and has 500 staff today, with 580 forecast for the end of next year.

Yet other French banks are emerging in London. Crédit Local de France has joined forces with Municipal Mutual, Crédit Commercial de France is said to be looking at Charterhouse, the merchant bank put up for sale by Royal Bank of Scotland. Next year BNP may raise its 4.5 per cent stake in Kleinwort Benson, in association with Dresdner Bank.

For all its present difficulties, the City of London is still a place where France's big banks feel they ought to be.

Patrick de Jacquelinot  
London correspondent, Les Echos

**JEAN-FRANÇOIS THÉODORE** is a confident man. The president of the Société des Bourses Françaises leans back in one of the black leather chairs in his rue Cambon office and oozes optimism about the prospects for the French stock market.

"Everything is in place," he says. "The necessary reforms have been made. We have one of the world's most sophisticated computer systems. There is legislation in the pipeline - privatisation and pension reform - which will bring more business to the market and we're ready for it."

The same confidence is

voiced by almost everyone associated with the French stock markets. All are convinced that, over the long term, the gradual privatisation of France's big state-controlled companies, coupled with the creation of a new breed of private pension funds, will stimulate the investment sector.

This rosy scenario is rather

## Prospects for the stock market

### Tomorrow will be better

different from the present picture. In the 1980s the French stock markets underwent a period of radical reform in an attempt to prepare them for life in the intensely competitive markets of the 1990s.

The reforms may have succeeded in modernising the mechanics of the Paris markets. They also created the suc-

cessful MATIF futures market which is now one of the largest worldwide. But many of the stock markets' traditional problems persist. The new rules on block trading, transactions in large amounts of shares, are so tight that Paris has continued to lose business to London. Moreover Paris still suffers from its old problem of

poor liquidity.

The French government's influence over industry, which means that 20 per cent of output comes from state-controlled companies, has created a dearth of equity. This problem has been aggravated by the anachronistic ownership structure of France's private sector companies, where large chunks of stock are held by friendly banks and "sweetheart" shareholders.

The state's stranglehold over the pension system means that pension funds represent just 10 per cent of the Paris stock market, compared with 60 per cent in London, thereby creating a shortage of investment.

This lack of liquidity has also contributed to the financial problems of the Paris stockbrokers. The 55 French brokerage firms made collective losses of FF600m in 1991, according to the Association Française des Sociétés de la Bourse, a slight improvement on their combined deficit of FF800m in 1990.

This scenario has already catalysed a rash of cost cutting. There were 480 job losses across French broking last year, according to the AFSB, with the workforce shrinking from 5,340 to 4,860. Most practitioners maintain that there are still too many companies chasing too little business.

Mr Théodore is convinced that the industry has reached the bottom of the cycle and that conditions can now only improve. "It's just not true that there are too many players on the Paris market," he said. "There are 46 stockbrokers in

Paris and 450 in New York, but the New York market is only 10 times bigger than Paris."

The global securities groups seem to agree. In recent months a number of international names have opened or extended their banking or broking operations in Paris, including Kleinwort Benson and Baring Brothers of the UK, Morgan Stanley of the US and Japan's Nomura.

These companies are pinning their hopes on the long-term prospects for the Paris market. One reason for their confidence is the sustained support of France's socialist government. Throughout the 1980s the government, spearheaded by Mr Bérégovoy, squashed every stereotype about socialist opposition to the investment sector by championing the modernisation of the Paris markets.

One of the few areas where the government has not been as supportive as the brokers wished is in its failure to abolish the bourse tax on share transactions which, they claim, puts them at a major disadvantage to London, particularly for large transactions. The proposed reform of the rules on block trading has been put on ice until its abolition.

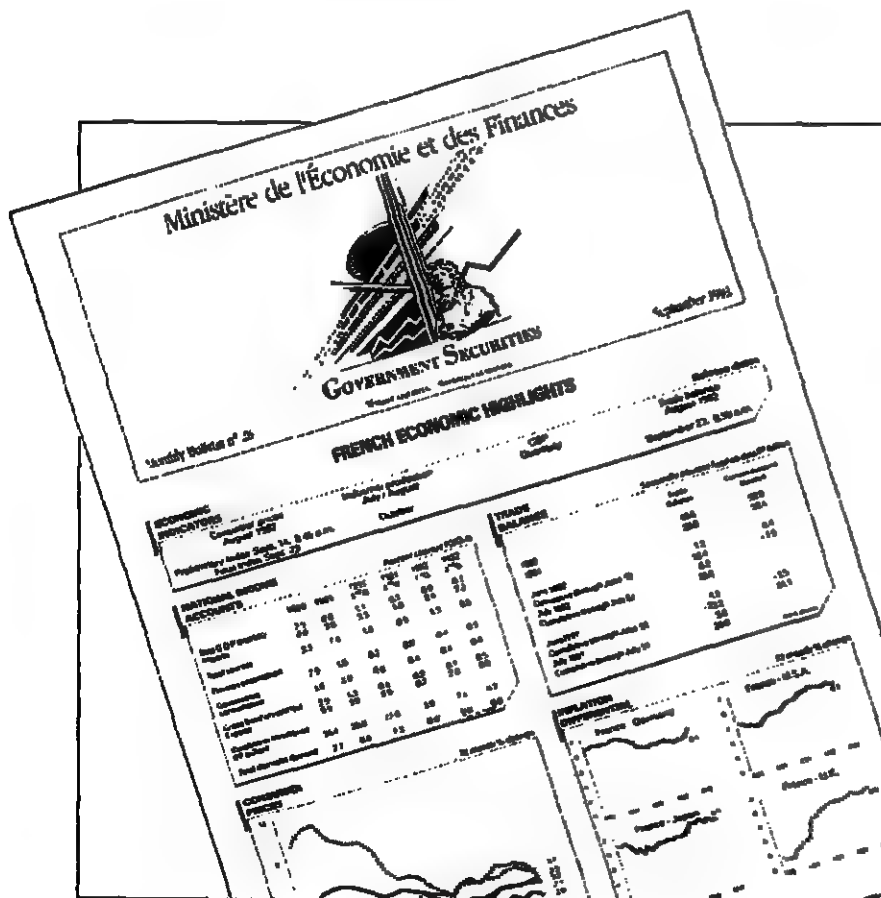
However, the markets are really much more interested in the prospect of privatisation and pension reform which, they believe, will also accelerate after the elections, whichever political party wins.

"The Paris stock market has already made a lot of progress," says Mr Jean Saint-Geours, president of the Commission des Opérations de Bourse. "It is not as international as London, but it has the potential to become one of the main European markets as part of a network with Frankfurt, Milan and Madrid."

Alice Rawsthorn

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1992		Since 1992	
High	Low	High	Low
2737.8	2281.0	2737.8	986.9
2825.0	2157.8	11/5/92	237/84
		2825.0	1375/4
		20/5/92	217/88
1324.7	1102.1	1342.7	664.5
		11/5/92	141/88
15.00	10.10	High/day	Low/day
2546.6	2558.4	2558.9	2530.5

Year adj. 1992 to date	Fri Oct 9	Thu Oct 8	Wed Oct 7	Year ago (approx)
	Index	Index	Index	Index
27.44	743.34	743.62	741.46	825.59
34.67	666.78	680.57	679.93	1008.22
32.23	990.41	600.48	603.55	1083.48
85.80	2054.83	2042.75	2067.86	2565.33
47.93	2095.14	2080.91	2087.99	1748.96
13.53	281.04	200.47	276.95	361.01
15.00	449.80	350.14	448.18	489.47
7.52	311.71	307.63	308.58	432.37
14.79	388.55	289.23	291.01	343.01
59.29	1731.18	1723.40	1720.29	1665.28

10.10	Class	Previous	change
35	1145.5	1158.2	-12.4
36	1294.8	1254.7	+22.4
37	1257.2	1255.6	+16.8

Less of countries are available from

Index	Price	E	1992		Yield	
			high	low	inst.	red.
(60)					(1)	(2)
100.0	100.0	100.0	100.0	100.0	100.0	100.0
(67.9)	100.0	100.0	100.0	100.0	100.0	100.0
(70.9)	100.0	100.0	100.0	100.0	100.0	100.0
(73.3)	100.0	100.0	100.0	100.0	100.0	100.0
(75.8)	100.0	100.0	100.0	100.0	100.0	100.0
(78.3)	100.0	100.0	100.0	100.0	100.0	100.0
(80.8)	100.0	100.0	100.0	100.0	100.0	100.0
(83.3)	100.0	100.0	100.0	100.0	100.0	100.0
(85.8)	100.0	100.0	100.0	100.0	100.0	100.0
(88.3)	100.0	100.0	100.0	100.0	100.0	100.0
(90.8)	100.0	100.0	100.0	100.0	100.0	100.0
(93.3)	100.0	100.0	100.0	100.0	100.0	100.0
(95.8)	100.0	100.0	100.0	100.0	100.0	100.0
(98.3)	100.0	100.0	100.0	100.0	100.0	100.0
(100.8)	100.0	100.0	100.0	100.0	100.0	100.0
(103.3)	100.0	100.0	100.0	100.0	100.0	100.0
(105.8)	100.0	100.0	100.0	100.0	100.0	100.0
(108.3)	100.0	100.0	100.0	100.0	100.0	100.0
(110.8)	100.0	100.0	100.0	100.0	100.0	100.0
(113.3)	100.0	100.0	100.0	100.0	100.0	100.0
(115.8)	100.0	100.0	100.0	100.0	100.0	100.0
(118.3)	100.0	100.0	100.0	100.0	100.0	100.0
(120.8)	100.0	100.0	100.0	100.0	100.0	100.0
(123.3)	100.0	100.0	100.0	100.0	100.0	100.0
(125.8)	100.0	100.0	100.0	100.0	100.0	100.0
(128.3)	100.0	100.0	100.0	100.0	100.0	100.0
(130.8)	100.0	100.0	100.0	100.0	100.0	100.0
(133.3)	100.0	100.0	100.0	100.0	100.0	100.0
(135.8)	100.0	100.0	100.0	100.0	100.0	100.0
(138.3)	100.0	100.0	100.0	100.0	100.0	100.0
(140.8)	100.0	100.0	100.0	100.0	100.0	100.0
(143.3)	100.0	100.0	100.0	100.0	100.0	100.0
(145.8)	100.0	100.0	100.0	100.0	100.0	100.0
(148.3)	100.0	100.0	100.0	100.0	100.0	100.0
(150.8)	100.0	100.0	100.0	100.0	100.0	100.0
(153.3)	100.0	100.0	100.0	100.0	100.0	100.0
(155.8)	100.0	100.0	100.0	100.0	100.0	100.0
(158.3)	100.0	100.0	100.0	100.0	100.0	100.0
(160.8)	100.0	100.0	100.0	100.0	100.0	100.0
(163.3)	100.0	100.0	100.0	100.0	100.0	100.0
(165.8)	100.0	100.0	100.0	100.0	100.0	100.0
(168.3)	100.0	100.0	100.0	100.0	100.0	100.0
(170.8)	100.0	100.0	100.0	100.0	100.0	100.0
(173.3)	100.0	100.0	100.0	100.0	100.0	100.0
(175.8)	100.0	100.0	100.0	100.0	100.0	100.0
(178.3)	100.0	100.0	100.0	100.0	100.0	100.0
(180.8)	100.0	100.0	100.0	100.0	100.0	100.0

FIXED INTEREST		1992		Yield	
Notes	Price %	High	Low	Hi	Low
2010	111.10	+1.9	110.5	110.1	7.1
2009	109.4	+4	108.0	107.1	6.9
2	107.2	+1.9	106.3	105.7	6.8
1997	111.3	+1.3	110.0	109.7	7.0
10	109.4	+1.9	108.5	108.0	6.9
2011	111.4	+1.4	110.0	109.3	7.0
2010	108.4	+1.9	106.5	105.7	6.9
2009	106.4	+1.9	104.5	103.7	6.8
2007	109.4	+1.9	107.5	106.7	6.9
2006	109.4	+1.9	107.5	106.7	6.9
2005	109.4	+1.9	107.5	106.7	6.9
2004	109.4	+1.9	107.5	106.7	6.9
2003	109.4	+1.9	107.5	106.7	6.9
2002	109.4	+1.9	107.5	106.7	6.9
2001	109.4	+1.9	107.5	106.7	6.9
2000	109.4	+1.9	107.5	106.7	6.9

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## LONDON SHARE SERVICE

## AMERICANS

Company	Price	Change	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	99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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Trust Name	Price	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	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Stock	12/1	12/8	12/15	12/22	12/29	1/5	1/12	1/19	1/26	2/2	2/9	2/16	2/23	2/28	3/6	3/13	3/20	3/27	4/3	4/10	4/17	4/24	4/30	5/7	5/14	5/21	5/28	6/4	6/11	6/18	6/25	7/2	7/9	7/16	7/23	7/30	8/6	8/13	8/20	8/27	9/3	9/10	9/17	9/24	10/1	10/8	10/15	10/22	10/29	11/5	11/12	11/19	11/26	12/3	12/10	12/17	12/24	12/31
AT&T	51.25	51.50	51.75	52.00	52.25	52.50	52.75	53.00	53.25	53.50	53.75	54.00	54.25	54.50	54.75	55.00	55.25	55.50	55.75	56.00	56.25	56.50	56.75	57.00	57.25	57.50	57.75	58.00	58.25	58.50	58.75	59.00	59.25	59.50	59.75	60.00	60.25	60.50	60.75	61.00	61.25	61.50	61.75	62.00	62.25	62.50	62.75	63.00	63.25	63.50	63.75	64.00	64.25	64.50	64.75	65.00		
Boeing	45.00	45.25	45.50	45.75	46.00	46.25	46.50	46.75	47.00	47.25	47.50	47.75	48.00	48.25	48.50	48.75	49.00	49.25	49.50	49.75	50.00	50.25	50.50	50.75	51.00	51.25	51.50	51.75	52.00	52.25	52.50	52.75	53.00	53.25	53.50	53.75	54.00	54.25	54.50	54.75	55.00	55.25	55.50	55.75	56.00	56.25	56.50	56.75	57.00	57.25	57.50	57.75	58.00	58.25	58.50	58.75	59.00	
General Electric	35.00	35.25	35.50	35.75	36.00	36.25	36.50	36.75	37.00	37.25	37.50	37.75	38.00	38.25	38.50	38.75	39.00	39.25	39.50	39.75	40.00	40.25	40.50	40.75	41.00	41.25	41.50	41.75	42.00	42.25	42.50	42.75	43.00	43.25	43.50	43.75	44.00	44.25	44.50	44.75	45.00	45.25	45.50	45.75	46.00	46.25	46.50	46.75	47.00	47.25	47.50	47.75	48.00	48.25	48.50	48.75	49.00	
IBM	60.00	60.25	60.50	60.75	61.00	61.25	61.50	61.75	62.00	62.25	62.50	62.75	63.00	63.25	63.50	63.75	64.00	64.25	64.50	64.75	65.00	65.25	65.50	65.75	66.00	66.25	66.50	66.75	67.00	67.25	67.50	67.75	68.00	68.25	68.50	68.75	69.00	69.25	69.50	69.75	70.00	70.25	70.50	70.75	71.00	71.25	71.50	71.75	72.00	72.25	72.50	72.75	73.00	73.25	73.50	73.75	74.00	
Microsoft	25.00	25.25	25.50	25.75	26.00	26.25	26.50	26.75	27.00	27.25	27.50	27.75	28.00	28.25	28.50	28.75	29.00	29.25	29.50	29.75	30.00	30.25	30.50	30.75	31.00	31.25	31.50	31.75	32.00	32.25	32.50	32.75	33.00	33.25	33.50	33.75	34.00	34.25	34.50	34.75	35.00	35.25	35.50	35.75	36.00	36.25	36.50	36.75	37.00	37.25	37.50	37.75	38.00	38.25	38.50	38.75	39.00	
Oracle	15.00	15.25	15.50	15.75	16.00	16.25	16.50	16.75	17.00	17.25	17.50	17.75	18.00	18.25	18.50	18.75	19.00	19.25	19.50	19.75	20.00	20.25	20.50	20.75	21.00																																	

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manager's name in the line of the last night's vigilante paid before another trio is indicated by the typed sequence the individual got lost room. The sequence are as follows: (Φ) - 0521 10100 house, 144 - 1101 to 1400 room, 1Φ1 - 1401 to 1700 house, (Φ) - 1701 to midnight. Daily dining prices are not on the basis of the vigilante price; a short period of time only appears before prices between sequences.

For explanatory notes see continued in  
next column of the  
Managed Funds Service.

Life Assurance and Unit Trust  
Regulatory Organisation,  
Dubai, UAE  
11 New Oxford Street, London WC2A 1QH  
Tel. 071 - 579 - 0445.

[illegible][illegible]

**INITIAL CHARGE:** Charge made on sale of unit. Used to defray marketing and administrative costs.

**OFFER, VOUCHER CANCELLATION POLICY:** The offer and voucher are subject to the following conditions:

- OFFER:** Voucher must be presented at the time of purchase. The voucher is valid only for the purchase of the same item or service as the item or service for which it was purchased. The voucher is not valid for the purchase of any other item or service.
- VOUCHER:** Voucher must be presented at the time of purchase. The voucher is valid only for the purchase of the same item or service as the item or service for which it was purchased. The voucher is not valid for the purchase of any other item or service.
- CANCELLATION POLICY:** The merchant reserves the right to cancel the offer and voucher at any time without notice. The merchant reserves the right to cancel the offer and voucher at any time without notice. The merchant reserves the right to cancel the offer and voucher at any time without notice.

**TERMS:** The merchant reserves the right to cancel the offer and voucher at any time without notice. The merchant reserves the right to cancel the offer and voucher at any time without notice. The merchant reserves the right to cancel the offer and voucher at any time without notice.

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● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128

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## CURRENCIES, MONEY AND CAPITAL MARKETS

## FOREIGN EXCHANGES

## DM tensions may not be over

THE DOLLAR closed weaker against the D-Mark at the end of European trading yesterday, as dealers digested Mr Alan Greenspan's weekend comments expressing concern at the lack of economic growth in the US, writes James Blith.

At the end of last week, analysts asserted that the 6.5 per cent point differential between US and German interest rates had widened to its fullest extent, and that the heavy investment in D-Marks might subside. The dollar was well supported on that view.

Yesterday, despite a quiet day in the markets because of the Columbus Day vacation in the US, there were signs that an easing in the differential is not imminent. The chairman of the US Federal Reserve said that no US monetary policy initiative could be ruled out, and the dollar fell in Monday's Asian trading to DM1.4610. In Europe, it regained its poise, but closed 1½ pence down on the previous close at DM1.4720.

An 11 basis point drop in the December Eurodollar futures contract signalled a revision away from the thinking that the Bundesbank will cut rates at its council meeting on Thursday. The market was over-optimistic about the prospects for a cut at the last Bundesbank council meeting, and people are still divided over how the German central bank is responding to the recession.

Mr Ian Beauchamp, chief economist at Hambros Bank in London, believes that a German rate cut will come soon and that there will be 7 per cent interest rates in Germany by the end of 1993. Mr Steve Hannah, chief economist at the International Bank of Japan in London, is more cautious. "The market is too far ahead of the Bundesbank," he said.

Uncertainties on German policy may be gently undermining the French franc, which closed down more than a centime yesterday at FF4.30.

compared to its ERM floor of FF4.306 against the D-Mark.

The franc, the benchmark of currency stability in Europe, could still survive in the ERM without a devaluation. But the franc's defence has left French commercial banks borrowing money from the authorities at a rate several points higher than their own lending rates.

"All the good news about German rates is already in the market," said Mr Hannah, "and, if the French ease rates now, it's hard to see where they can go next."

Sterling was barely affected by Mr Norman Lamont's appearance before the Treasury Committee of the House of Commons. Mr John Hall, an economist at Swiss Banking Corporation in London, spoke for several analysts when he said that there was nothing new in the speech barring the restatement of a highly pragmatic economic policy. The pound closed down against the D-Mark at DM2.51.

## FINANCIAL FUTURES AND OPTIONS

## LIFE US DOLLAR FUTURES OPTIONS

Strike	Call	Put	Call	Put
90	0.05	0.05	0.05	0.05
91	0.10	0.05	0.10	0.05
92	0.15	0.05	0.15	0.05
93	0.20	0.05	0.20	0.05
94	0.25	0.05	0.25	0.05
95	0.30	0.05	0.30	0.05
96	0.35	0.05	0.35	0.05
97	0.40	0.05	0.40	0.05
98	0.45	0.05	0.45	0.05
99	0.50	0.05	0.50	0.05
100	0.55	0.05	0.55	0.05

Estimated volume: 220,000 contracts.  
Previous day's open: DM1.4720 Pts 4542

## LIFE US TREASURY BOND FUTURES OPTIONS

Strike	Call	Put	Call	Put
100	0.05	0.05	0.05	0.05
101	0.10	0.05	0.10	0.05
102	0.15	0.05	0.15	0.05
103	0.20	0.05	0.20	0.05
104	0.25	0.05	0.25	0.05
105	0.30	0.05	0.30	0.05
106	0.35	0.05	0.35	0.05
107	0.40	0.05	0.40	0.05
108	0.45	0.05	0.45	0.05
109	0.50	0.05	0.50	0.05
110	0.55	0.05	0.55	0.05

Estimated volume: 100,000 contracts.  
Previous day's open: DM1.4720 Pts 4542

## LIFE EURO DOLLAR FUTURES OPTIONS

Strike	Call	Put	Call	Put
100	0.05	0.05	0.05	0.05
101	0.10	0.05	0.10	0.05
102	0.15	0.05	0.15	0.05
103	0.20	0.05	0.20	0.05
104	0.25	0.05	0.25	0.05
105	0.30	0.05	0.30	0.05
106	0.35	0.05	0.35	0.05
107	0.40	0.05	0.40	0.05
108	0.45	0.05	0.45	0.05
109	0.50	0.05	0.50	0.05
110	0.55	0.05	0.55	0.05

Estimated volume: 100,000 contracts.  
Previous day's open: DM1.4720 Pts 4542

## LIFE EURO TREASURY BOND FUTURES OPTIONS

Strike	Call	Put	Call	Put
100	0.05	0.05	0.05	0.05
101	0.10	0.05	0.10	0.05
102	0.15	0.05	0.15	0.05
103	0.20	0.05	0.20	0.05
104	0.25	0.05	0.25	0.05
105	0.30	0.05	0.30	0.05
106	0.35	0.05	0.35	0.05
107	0.40	0.05	0.40	0.05
108	0.45	0.05	0.45	0.05
109	0.50	0.05	0.50	0.05
110	0.55	0.05	0.55	0.05

Estimated volume: 100,000 contracts.  
Previous day's open: DM1.4720 Pts 4542

## LIFE EURO DOLLAR FUTURES OPTIONS

Strike	Call	Put	Call	Put
100	0.05	0.05	0.05	0.05
101	0.10	0.05	0.10	0.05
102	0.15	0.05	0.15	0.05
103	0.20	0.05	0.20	0.05
104	0.25	0.05	0.25	0.05
105	0.30	0.05	0.30	0.05
106	0.35	0.05	0.35	0.05
107	0.40	0.05	0.40	0.05
108	0.45	0.05	0.45	0.05
109	0.50	0.05	0.50	0.05
110	0.55	0.05	0.55	0.05

Estimated volume: 100,000 contracts.  
Previous day's open: DM1.4720 Pts 4542

## LIFE EURO TREASURY BOND FUTURES OPTIONS

Strike	Call	Put	Call	Put
100	0.05	0.05	0.05	0.05
101	0.10	0.05	0.10	0.05
102	0.15	0.05	0.15	0.05
103	0.20	0.05	0.20	0.05
104	0.25	0.05	0.25	0.05
105	0.30	0.05	0.30	0.05
106	0.35	0.05	0.35	0.05
107	0.40	0.05	0.40	0.05
108	0.45	0.05	0.45	0.05
109	0.50	0.05	0.50	0.05
110	0.55	0.05	0.55	0.05

Estimated volume: 100,000 contracts.  
Previous day's open: DM1.4720 Pts 4542

## LIFE EURO DOLLAR FUTURES OPTIONS

Strike	Call	Put	Call	Put
100	0.05	0.05	0.05	0.05
101	0.10	0.05	0.10	0.05
102	0.15	0.05	0.15	0.05
103	0.20	0.05	0.20	0.05
104	0.25	0.05	0.25	0.05
105	0.30	0.05	0.30	0.05
106	0.35	0.05	0.35	0.05
107	0.40	0.05	0.40	0.05
108	0.45	0.05	0.45	0.05
109	0.50	0.05	0.50	0.05
110	0.55	0.05	0.55	0.05

Estimated volume: 100,000 contracts.  
Previous day's open: DM1.4720 Pts 4542

## LIFE EURO TREASURY BOND FUTURES OPTIONS

Strike	Call	Put	Call	Put
100	0.05	0.05	0.05	0.05
101	0.10	0.05	0.10	0.05
102	0.15	0.05	0.15	0.05
103	0.20	0.05	0.20	0.05
104	0.25	0.05	0.25	0.05
105	0.30	0.05	0.30	0.05
106	0.35	0.05	0.35	0.05
107	0.40	0.05	0.40	0.05
108	0.45	0.05	0.45	0.05
109	0.50	0.05	0.50	0.05
110	0.55	0.05	0.55	0.05

Estimated volume: 100,000 contracts.  
Previous day's open: DM1.4720 Pts 4542

## LIFE EURO DOLLAR FUTURES OPTIONS

Strike	Call	Put	Call	Put
100	0.05	0.05	0.05	0.05
101	0.10	0.05	0.10	0.05
102	0.15	0.05	0.15	0.05
103	0.20	0.05	0.20	0.05
104	0.25	0.05	0.25	0.05
105	0.30	0.05	0.30	0.05
106	0.35	0.05	0.35	0.05
107	0.40	0.05	0.40	0.05
108	0.45	0.05	0.45	0.05
109	0.50	0.05	0.50	0.05
110	0.55	0.05	0.55	0.05

Estimated volume: 100,000 contracts.  
Previous day's open: DM1.4720 Pts 4542

## LIFE EURO TREASURY BOND FUTURES OPTIONS

Strike	Call	Put	Call	Put
100	0.05	0.05	0.05	0.05
101	0.10	0.05	0.10	0.05
102	0.15	0.05	0.15	0.05
103	0.20	0.05	0.20	0.05
104	0.25	0.05	0.25	0.05
105	0.30	0.05	0.30	0.05
106	0.35	0.05	0.35	0.05
107	0.40	0.05	0.40	0.05
108	0.45	0.05	0.45	0.05
109	0.50	0.05	0.50	0.05
110	0.55	0.05	0.55	0.05

Estimated volume: 100,000 contracts.  
Previous day's open: DM1.4720 Pts 4542

## LIFE EURO DOLLAR FUTURES OPTIONS

Strike	Call	Put	Call	Put
100	0.05	0.05	0.05	0.05
101	0.10	0.05	0.10	0.05
102	0.15	0.05	0.15	0.05
103	0.20	0.05	0.20	0.05
104	0.25	0.05	0.25	0.05
105	0.30	0.05	0.30	0.05
106	0.35	0.05	0.35	0.05
107	0.40	0.05	0.40	0.05
108	0.45	0.05	0.45	0.05
109	0.50	0.05	0.50	0.05
110	0.55	0.05	0.55	0.05

Estimated volume: 100,000 contracts.  
Previous day's open: DM1.4720 Pts 4542

## LIFE EURO TREASURY BOND FUTURES OPTIONS

Strike	Call	Put	Call	Put
100	0.05	0.05	0.05	0.05
101	0.10	0.05	0.10	0.05
102	0.15	0.05	0.15	0.05
103	0.20	0.05	0.20	0.05
104	0.25	0.05	0.25	0.05
105	0.30	0.05	0.30	0.05
106	0.35	0.05	0.35	0.05
107	0.40	0.05	0.40	0.05
108	0.45	0.05	0.45	0.05
109	0.50	0.05	0.50	0.05
110	0.55	0.05	0.55	0.05

Estimated volume: 100,000 contracts.  
Previous day's open: DM1.4720 Pts 4542

## LIFE EURO DOLLAR FUTURES OPTIONS

Strike	Call	Put	Call	Put
100	0.05	0.05	0.05	0.05
101	0.10	0.05	0.10	0.05
102	0.15	0.05	0.15	0.05
103	0.20	0.05	0.20	0.05
104	0.25	0.05	0.25	0.05
105	0.30	0.05	0.30	0.05
106	0.35	0.05	0.35	0.05
107	0.40	0.05	0.40	0.05
108	0.45	0.05	0.45	0.05
109	0.50	0.05	0.50	0.05
110	0.55	0.05	0.55	0.05

Estimated volume: 100,000 contracts.  
Previous day's open: DM1.4720 Pts 4542

## LIFE EURO TREASURY BOND FUTURES OPTIONS

Strike	Call	Put	Call	Put
100	0.05	0.05	0.05	0.05
101	0.10	0.05	0.10	0.05
102	0.15	0.05	0.15	0.05
103	0.20	0.05	0.20	0.05
104	0.25	0.05	0.25	0.05
105	0.30	0.05	0.30	0.05
106	0.35	0.05	0.35	0.05
107	0.40	0.05	0.40	0.05
108	0.45	0.05	0.45	0.05
109	0.50	0.05	0.50	0.05
110	0.55	0.05	0.55	0.05

Estimated volume: 100,000 contracts.  
Previous day's open: DM1.4720 Pts 4542

## LIFE EURO DOLLAR FUTURES OPTIONS

Strike	Call	Put	Call	Put
100	0.05	0.05	0.05	0.05
101	0.10	0.05	0.10	0.05
102	0.15	0.05	0.15	0.05
103	0.20	0.05	0.20	0.05
104	0.25	0.05	0.25	0.05
105	0.30	0.05	0.30	0.05
106	0.35	0.05	0.35	0.05
107	0.40	0.05	0.40	0.05
108	0.45	0.05	0.45	0.05
109	0.50	0.05	0.50	0.05
110	0.55	0.05	0.55	0.05

Estimated volume: 100,000 contracts.  
Previous day's open: DM1.4720 Pts 4542

## FINANCIAL FUTURES AND OPTIONS

## LIFE US DOLLAR FUTURES OPTIONS

Strike	Call	Put	Call	Put
90	0.05	0.05	0.05	0.05
91	0.10	0.05	0.10	0.05



$\Phi\Phi_{13}$ 

# CANADA

Sales	Stock	High	Low	Close	Chng	Sales	Stock	High	Low	Close	Chng	Sales	Stock	High	Low	Close	Chng
<b>TORONTO</b>																	
<b>4 pm sale October 9</b>																	
Quotations in cents unless marked \$																	
20000 Ontario St	317 1/2	17 1/2				20000 Lonsdale St	500 1/2	50 1/2	10 1/2			160000 Suncor Inc	43	42			
20000 Canadian	450	450	450			41000 Lonsdale St	510 1/2	10 1/2				160000 Suncor Paper	113	13	13		
24000 Ontario A	120	115	115			6000 Lonsdale	217 1/2	17 1/2				160000 Suncor Steel	113	13	13		
20000 Ontario A	22	22	22			110000 Macdonald	515	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
13000 Ontario	35 1/2	35 1/2	35 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
214000 Ontario	21 1/2	21 1/2	21 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
20000 Ontario	28 1/2	28 1/2	28 1/2			160000 Macdonald	515 1/2	48 1/2				268000 Suncor Gas	322	31 1/2	31 1/2		
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## COMPUTERS AND COMMUNICATIONS

## SECTION III

Tuesday October 13 1992

As telecommunications and computing converge, the drive towards seamless networked systems is speeding up and the large vendors are at last backing the introduction of an industry-wide set of rules. Alan Cane reports

## Paths to open systems clear

THE SLOW but inevitable convergence of computing and telecommunications is providing the motive force for an implosion of new information processing practices and technologies.

A lexicon of neologisms has emerged to label these concepts: enterprise-wide computing, co-operative computing, client-server architectures, plug-and-play environments, rightizing.

What they all amount to is new ways of describing a concept more than a quarter of a century old: distributed data processing or ddp, the idea that computer power can be spread throughout an organisation if it can be contained in small enough packets. For many companies it means substituting a large number of small computers connected in networks for a small number of larger machines.

International Business Machines (IBM), the world's largest computer manufacturer and staunchest defender of data processing centred on mainframe computers, is joining in. Last month among a raft of new communications products it announced adapters (special circuit boards) that allow portable computers unprecedented access to corporate information systems as well as announcing plans that could see CICS, its flagship transaction processing software, dominating the open-

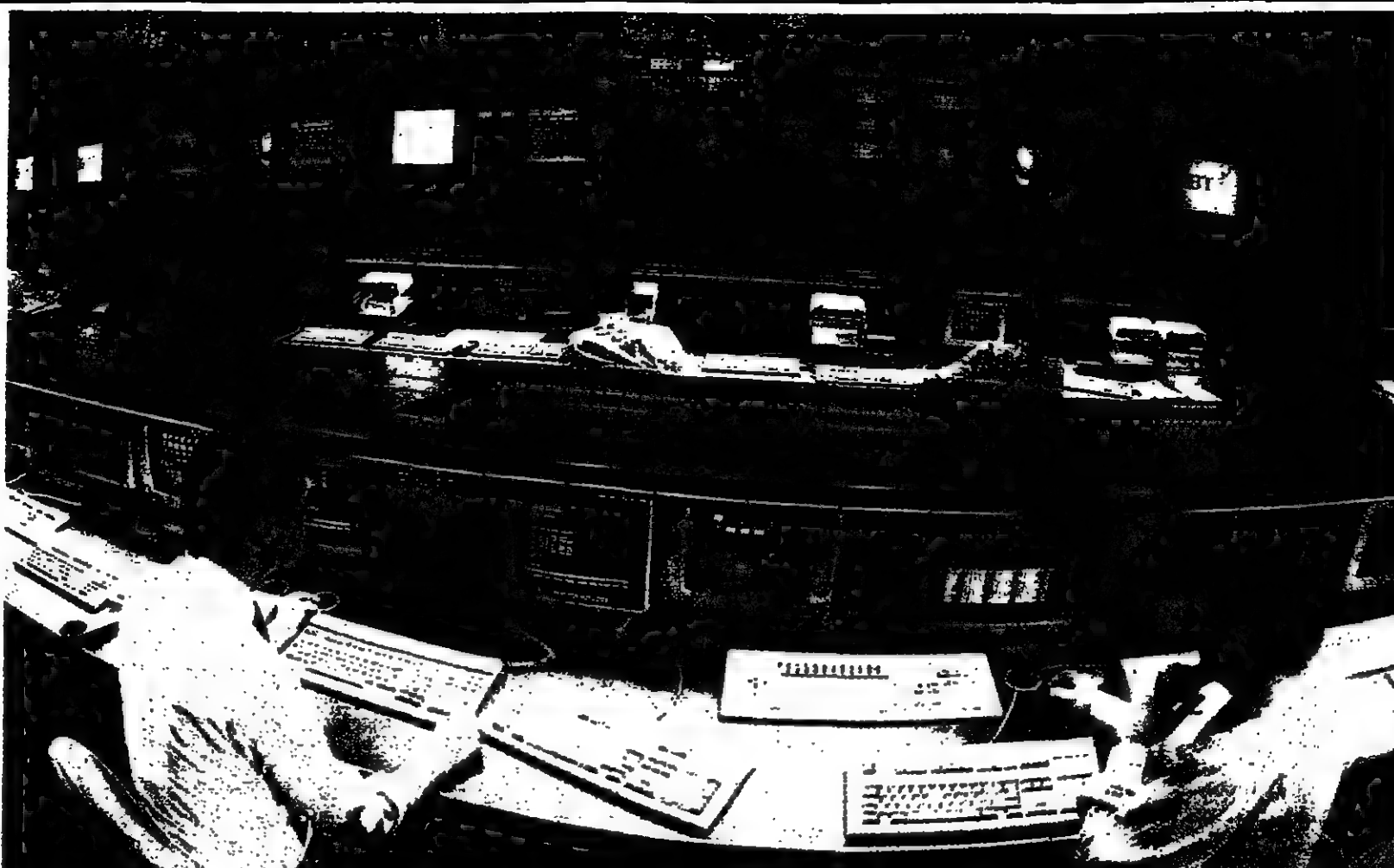
or vendor independent - systems environment.

The range of issues now encompassed by distributed data processing is bewilderingly broad. At one end of the spectrum is the dilemma of how to manage very large data networks, now the biggest concern among information technology managers. At the other, the question of which operating system should prevail in the open data processing environment of the late 1990s.

It is also providing the dynamo for the growth of a large number of entrepreneurial companies which were quick to recognise the possibilities of computer communications. These include Novell, the leader in software for personal computer networking and 3Com and Cisco which specialise in "internetworking", providing the hardware and software which allows local and wide area networks to talk to one another.

These developments are taking place against a background of the worst instability the computer industry has known. Prices are tumbling as improved technology cuts the cost of components. Distribution channels are being undermined as gross profit margins narrow. The global recession is forcing customers to put a cap on capital investment.

The large telecommunications companies, meanwhile, are taking a new interest in



British Telecom's network management centre at Oswestry: the large telecommunications companies are taking a new interest in computing services

computing services, the fastest growing area of the computer industry.

BT has emerged as one of the largest systems integration companies in the UK. France Telecom is negotiating to take a stake in Sema Group, the large Anglo-French services company. Mercury Communications, BT's principal competitor in the UK is moving into managed data communications, securing, among others, a £15m, five-year contract with TSB Retail Banking and Insurance.

The purpose behind these activities, whether overt or not, is the creation of "intelligent networks" which will give customers greater control of their telecommunications and

cost savings from improved allocation of network resources.

For the telecommunications companies intelligent networks will provide an integrated, managed, services environment. Competition is already developing between the big companies to provide managed voice and data networking services for international companies.

The growth of computer communication is underpinned by a number of trends, including the evolution of open systems.

Standards are at the heart of open systems. One of the most abused of industry terms, open systems simply imply computers that can easily be con-

nected into communications networks and with the capacity to run software from any supplier obeying the open systems rules.

Last month Mr Jim Manz, chief executive of Lotus Development Corporation told the Etre conference of top computer industry executives that open systems were the only way customers could expect an uninterrupted return on their investment in computerisation.

Many corporations share a common dilemma. Their operations, whether national or international, have grown in response to a business strategy in which information technology played little part.

The result is all too often an electronic Tower of Babel of

incompatible computers and software which denies senior management the chance to create enterprise-wide communications and has meant corporations have derived fewer benefits than expected from considerable investments in computers and communications.

This dissatisfaction is driving the open systems movement. Large vendors, while paying lip service to open systems, have been less than enthusiastic about implementing them because of heavy investment in their own designs.

Digital Equipment and IBM were networking pioneers - IBM through its mainframe networking protocol Systems

Network Architecture and DEC through its VAX compatible computer line - but tardy in implementing open systems.

Both are now changing rapidly. Earlier this month IBM announced early support for the latest version of an industry-wide set of rules that guarantee a product conforms to open systems standards.

The rules are set by X/Open, a worldwide, independent open systems organisation which is dedicated to developing a multivendor Common Applications Environment, based on both formal industry standards and standards which have become accepted *de facto*.

X/Open's new set of specifications, XPG4, comprises 22 separate components covering

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Editorial production  
Sarah Murray

operating systems and languages, data management, user interfaces, general interworking, mainframe interworking, PC interworking and media.

Products which meet the XPG4 specifications will pass the open systems interoperability test and can safely be connected together in corporate-wide networks.

Advances in open systems are still confused by the arguments over operating systems. There are still those who see open systems as synonymous with Unix, a multi-tasking, multi-user operating system developed by AT&T and now championed by Unix International, a non-profit organisation responsible for directing the evolution of Unix System V, an industry standard.

Competition for Unix will be seen from Microsoft with Windows NT, IBM with OS/2 and Taligent, an IBM and Apple joint venture, with a operating system codenamed "Pink".

Just as portable telephones have revolutionised conventional communications, so tiny portable "digital communicators" capable of handling voice, data and image, are expected to revolutionise computer communications. Apple, AT&T in co-operation with Matsushita, Marubeni and EO, have already announced product intentions. IBM is not expected to be far behind.

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Number of employees \_\_\_\_\_

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## COMPUTERS AND COMMUNICATIONS 2

Client-server technology permits more flexible applications

## User and service divide

THE client-server model separates information technology systems into users (clients) and services (servers) and meets a rising demand for cheaper, more flexible and more responsive applications.

"Client-server technology will affect large segments of suppliers and users and client-server products will account for some 21 per cent of the software products market by 1996," says market researcher Ovum in its 1991 report "Client-Server Computing: Commercial Strategies".

The client-server model provides an economical way to distribute computer power, while maintaining the controls associated with centralised computing. It takes advantage of the lower costs of open, component-based systems and the trend towards industry-wide standards in software and communications.

Client-server systems use standard software and communications networks to distribute functions across multiple computers with different operating software. Powerful personal workstations, with advanced graphical user interfaces and local processing power (the clients), sit at the front end.

Special-purpose "servers" - providing services such as shared printing, communications links and database storage - are available, through the network, to workstations.

So far the client-server approach has been used mainly for database applications.

Using an IBM-designed standard called SQL, client workstations are able to send complex requests for data to remote server computers.

But the past year has seen moves to broaden the appeal of the client-server approach and use it for more traditional data processing applications - particularly those which involve transaction processing.

Database suppliers such as Sybase, Oracle, Informix and Ingres have been in forefront and have placed increasing emphasis on the transaction processing features of their database products.

At the end of September IBM announced a version of its popular CICS transaction processing software which uses the client-server approach. It is based on AIX, its version of the Unix operating system, and runs on IBM's RS/6000 workstation computer.

CICS is, perhaps, IBM's most successful software product with over 33,000 sites worldwide. It is the market leader by a wide margin and IBM's decision to move it to an open environment and re-engineer it to use the client-server model is important.

IBM's announcement came in response to a trend towards the use of open systems as a

base for transaction processing applications. The use of the client-server model provides an appropriate infrastructure for complexities associated with transaction processing in modern computing environments, which can be based on a variety of hardware and operating systems from different manufacturers.

Traditionally, transaction processing applications have been based on single-supplier, proprietary computer systems

Until recently, proprietary systems were the only ones which could provide the infrastructure to cover security of access, data integrity and disaster recovery

such as IBM's System 370 mainframe.

Until recently, proprietary systems were the only systems which could provide the infrastructure to cover security of access, data integrity and disaster recovery.

IBM's decision to move CICS into an open environment - backed up by an unprecedented policy to licence CICS to other manufacturers - comes against a background of important activity in the transaction processing area.

Computer suppliers see

transaction processing as an important factor in promoting the cause of open systems. Many companies rely on transaction processing as the base for important online operational tasks such as accounting and customer service support.

If open systems are to continue expanding, they must be able to cope with complex transaction processing and, in the past two years, the standards infrastructure has grown to include the mechanisms to

make this possible.

The IBM-backed Open Software Foundation (OSF), for example, has published a standard for distributed computing which covers this. It includes a technique called the Remote Procedure Call (RPC) which can pass the complex messages through a network, regardless of the operating environment or computer hardware. IBM's new version of CICS uses the RPC to allow it to work across different systems.

But IBM is not alone in seeing the advantages of offering

open systems transaction processing. Hewlett Packard announced that it would licence IBM's open CICS software, hard on the heels of the IBM announcement and other key manufacturers are expected to follow suit. Both Stratus - which already has strong links with IBM - and Sun Microsystems have been suggested as possible future CICS licensees.

Meanwhile Unix International, a rival faction in the open systems market, has put its weight behind an alternative transaction processing system, Tuxedo. This again uses the client-server model of computing to provide support for transaction processing in a mixed environment.

One of Tuxedo's main sponsors is the Japanese-owned, UK-based manufacturer ICL, which uses Tuxedo on its Unix-based computers. Mr Nicholas Connor, marketing manager for distributed information systems at ICL, says the future of open client-server systems is tied closely to transaction processing.

"Client-server systems will grow more complicated and will need to be transaction-based," he says.

"A simple business requirement, like, say, adding a new

employee, generates several transactions. One to update the payroll file, one to update the pension file and so on. The business requirement is for a single transaction - but current systems demand many different entries. Tuxedo provides the mechanisms with which to enter it just once and then distribute it automatically through the system," he says.

Mr Connor suggests that this sort of feature will give companies the opportunity to improve customer service too.

"The introduction of a new telephone subscriber or a new client for a bank poses the same problem. Automatic transaction processing and distribution would enable them to improve their service to customers. In the current economic climate this is obviously very important," he says.

Although Tuxedo and IBM's CICS look set to compete with each other in the market for open transaction processing systems, they could end up co-operating. Tuxedo is able to work with CICS systems already and IBM has announced that a version of Tuxedo will be available for its mainframe computers - running with its AIX/Unix - next year.

Either way, transaction processing in an open client-server environment looks set to become a big issue for suppliers and users of computers across the industry.

Philip Manchester



Nicholas Connor: the future of open client-server systems is tied closely to transaction processing

## SECURITY SYSTEMS

## Fending off the fraudsters

OPEN systems have been portrayed by almost all in the computer industry as "a good thing" - but they have also made life more difficult for those who design security systems for computer systems.

In a true open system - where systems from different manufacturers can connect with one another - the security of the whole system is no weaker than the weakest link in the chain. The weakest of those links has traditionally been the personal computer.

The PC was originally designed as a personal productivity tool - only one person was expected to use it and few considered the possibility that crucial corporate data would ever appear on its screens. The PC was something you would use to do word-processing, a little spreadsheet work and perhaps keep electronic versions of your address book.

Today's PC is far more powerful and is used for all manner of applications - many of which involve "networking" these PCs together with one another as well as with minicomputer and mainframe systems. For this reason, PC industry local area network (LAN) market leader Novell has had to seriously come to grips with implementing credible data security technology.

According to Novell UK spokesman Mr Dominic Storey, many companies do not think about LAN security. He said a recent survey suggested few companies conducted risk analysis, developed security guidelines, set up security configurations, co-ordinated security training or periodically reviewed security compliance for the networked PCs.

"LANs are basically distributed multi-user computer systems and, as such, have similar security requirements," he says. "The computer needs to be protected from physical damage, the software programs from virus attack and the data from accidental or intentional damage."

He says that the advent of viruses make the PC much more prone to breaches of security than minicomputer systems or mainframes - and therefore sensible precautions must be taken.

"Virus detection can be performed by specialised programs which look for sequences within program code," explains Mr Storey. "No virus detection program is fool-proof, as new viruses are created on a distressingly regular basis. The best form of cure is prevention - and to do this, users must be discouraged from uploading suspect software or else have their rights restricted to prevent virus contagion."

One of the other keys to building a secure PC network lies in the features contained in the network operating system - such as Novell's NetWare. It starts with the "log-in" password, which must

be entered every time a user starts working on the network.

Passwords under NetWare are stored in special files on the file server called "bindery" files. Within these files, all user passwords are stored in encrypted form using a one-way or "trap-door" encryption function. When a user logs in, the password is never seen. Instead, a special code (called a key) is passed to the PC. The PC uses the password to encrypt the key, and the encrypted key is passed back to the server.

Passwords under NetWare must also be of a minimum length (thus reducing the statistical chances of a hacker guessing them) and can be "force-changed" by the network administrator, must be unique (so that no two users have the same password).

Most network system also allow network administrators to specify which system features each user will have access to. These can limit the times of the day the system can be used, the amount of time, the amount of disk space they use and the way they use dial-in "modems".

Mr Storey says that PC networks also need to offer an "audit trail" of their use. He admits that NetWare is still not ideal in this respect. "No security system is perfect; it is essential to log information, so that a security compromise can be traced," he says.

"System audit information is available in a limited form for NetWare and will be extended to full file system audit in future releases. At present various logs are stored - the error log logs all hardware and system errors, and account information (bindery logs) can be generated using a supervisor utility."

In the end, however, security on PC networks is all about using common sense. And that means instituting company-wide procedures for PCs in the same way as for minicomputer and mainframe systems.

"To maintain good standards of security, companies should employ tried and tested authentication procedures," says Mr Storey. "Use of initial passwords during account generation ensures that new accounts do not represent a security hole. Use of existing security features make a system which is flexible to the user, yet secure."

"If implementing a secure system with high expectations of data integrity, lock the file server away. A system will never be truly secure while the file server is easily accessible. Above all, train users to think securely. Make sure, for example, that they use hard to guess passwords and do not place the password under the desk. This will reduce the possibility of user ignorance leading to unexpected security compromises."

Geof Wheelwright

# It's curious what passes for an interoperable computer system these days.

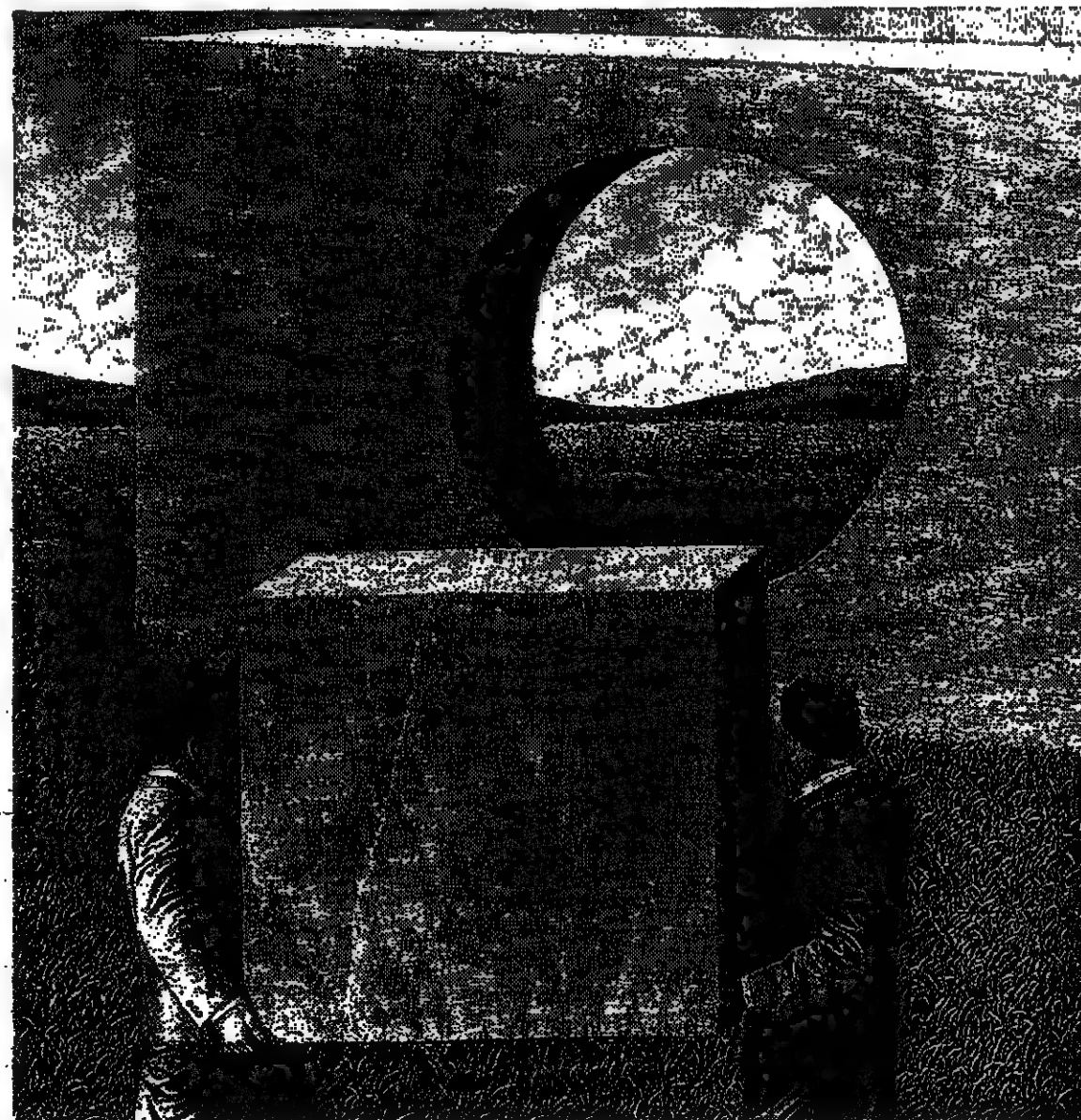
Lately, many computer suppliers are claiming that their systems are "Open". But open to what? Your computer environment, or theirs?

The question is a valid one. Computers should work with systems already in place: your existing investment. And with systems yet to come: your future investment. It's a big assignment - interoperability - enabling information to move freely across different computer environments.

Unisys is a pioneer at delivering information solutions over open information networks. And is among the first to appreciate that Open Systems are only one step on the road to interoperability. "No supplier is doing more to respond to its customers' requirements for interoperability across its entire product line than Unisys", report major computer industry analysts, Aberdeen Group.

Let us suggest a simple test. Ask your computer providers if their commitment to interoperability applies to a few of their offerings. Or to all of them. Ask if their commitment/ends with UNIX and PC operating systems. Or is fundamental to their systems architecture and corporate strategy.

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## COMPUTERS AND COMMUNICATIONS 3

Emma Woollacott finds local area networks are now playing host to electronic message systems

## E-mail moves away from mainframes

ELECTRONIC mail is changing fast. A few years ago, it was largely the preserve of mainframe-based systems, and notoriously difficult to install and manage. But nowadays an increasing number of large corporations are downsizing to local area networks and are phasing out host-based e-mail systems in favour of LAN systems.

Mr Mark Hassall, Microsoft's product marketing manager for Mail 3.0, says: "LAN-based e-mail can give all the things people were looking for in mainframe systems. But users of things like Profs and All-in-One are paying exorbitant maintenance fees. There's a 10-to-one ratio between those costs and the

costs of a LAN system." BP Oil has recently switched from a mainframe-based environment towards Unix and PCs.

Mr James Cunningham, project leader at BP, says: "It was particularly attractive in the early days to our European associates, where it would be less easy to justify the cost of huge pipes to tap into an IBM mainframe."

LAN e-mail packages have also become more secure and flexible and connectivity are improving. The main suppliers are beginning to introduce global naming, a feature which allows every server on a wide area network to distribute a list of all its users to every other server.

This feature already exists in Banyan's Vines system, and will be included in Novell's next release of NetWare, NetWare 4.0, early next year. Combined with suitable gateway connections to other messaging systems, it allows a server route to make calls right across a WAN.

There are now approximately 10m e-mail users worldwide, of whom around half are using a PC LAN-based system. Figures from market researcher Rometec suggest that some 90,000 UK users

hooked up to a new PC-based e-mail system during the first half of this year. This makes e-mail one of the fastest-growing software areas and one which is winning a lot of attention from suppliers.

The most important innovation is the emergence of the mail-enabled application. Whereas sending a mail message currently involves calling up the e-mail program separately, creating a text-only message, in future "Mail" will simply be a menu option in virtually any program, similar

to the "Print" command. Users will be able to create a spreadsheet in Excel, for instance, and mail it to any other user running Excel on the network, adding comments, graphs, even sound. Gateways will allow messages to be sent from PC to Mac to Unix workstation, even a fax machine.

Mr Gavin Lennox, Lotus' product marketing manager for ccMail, describes a demon-

stration where sales reps used pen-based portable PCs out in the field to fill in electronic forms and then sent the information back to the office LAN instantly, using a wide area radio network, where it was automatically routed and processed.

This type of application takes the emphasis away from simple messaging and into the area of workgroup computing, where groups of users can work collaboratively on shared information. E-mail conferencing becomes possible. Work

the next two years, and there will also be gateways to the e-mail systems of the company's principal customers and suppliers.

"It's improving productivity already," he said. "And in the last couple of weeks we've put it on the most senior desks, and we've found once they've tried it people are asking 'can you put it into my home', or 'can you add such and such a person?' A me-too attitude soon builds up."

The snag in this vision of collaborative working is in the lack of a standard covering how the mail-enabled applications communicate with the messaging back-end, and how that back-end controls the addressing and routing of calls.

Many mini and mainframe e-mail systems, in particular, make no distinction between the application and the back-end.

In fact, few of the several hundred e-mail "standards" currently in existence even agree on the definition of a message, let alone a common way of addressing and routing calls.

Standards body CCITT has published a messaging standard, X.400, but suppliers have found this so limiting that they have tended to implement their



Mark Hassall: LAN-based e-mail has everything mainframe systems had

developers to mail-enable applications.

Microsoft is pushing the Messaging Application Programming Interface (MAPI), and has support from Digital Equipment Corp (DEC), Banyan Systems, Hewlett-Packard and others.

Meanwhile Lotus, Apple, Borland and IBM have teamed up to produce the Vendor Independent Messaging (VIM) standard. Novell is a member of both camps, and has promised that it will adapt MHS to support both.

Users have pressed each group to include support for the other's standard, but so far with little success.

The best bet for compatibility is the fact that both MAPI and VIM have been submitted to the X.400 API Association, which is expected to produce a compromise Common Application Call Set in the near future.

Once this happens, mail-enabled can really take off in earnest, although this won't happen overnight. Both Microsoft and the VIM consortium will take some time to bring their APIs into line, and the chances are that, just as with the original X.400 standard, developers will add their own elements.

And until a true mail-enabling standard emerges, users will be restricted to packages from either Microsoft or the main VIM members.

As Lotus' Mr Lennox says, "both groups are in around the same position - and that's close to the starting block."

## THE TECHNOLOGIES: OSI

## Tangled web of interchange unravels

"YOU can die of boredom sitting in a standards meeting week in week out," says Mr Mark O'Neill. He should know. As a strategy chief at the Department of Trade and Industry he is responsible for getting the UK business community interested in the implementation of Open Systems Interconnection (OSI).

OSI offers a complicated seven-layer model of communications protocols. These should ensure a seamless exchange of information across computers from different suppliers. And the Government OSI Profile (Gosp) is aimed to simplify the tangled world of OSI protocols.

"We try and reduce the sheer number of options available to people by focusing on those areas of direct use and interest to people," he says.

Mr O'Neill and his team at the DTI's Millbank Tower have concentrated the world of OSI into manageable chunks.

OSI base standards for local area networks contain detail on the co-ordination of the wrapping applied to electrical cable. Mr O'Neill that thinks the end-user can be spared

Gosp? Some observers of the standards scene are cynical about the proliferation of OSI committees.

One source close to the DTI claims that commercial realities seem to have taken a back seat in the round of meetings between the two.

An industry observer uncharitably characterises the Gosp/Ephos interface as "the bleeding edge".

"Ephos promises a level playing field for suppliers across Europe," says Mr O'Neill, stressing the cordial relations Gosp staff enjoy with their near neighbours in Ephos. "We fully support the Ephos initiative. There is some repetition of work, but not as much as you'd think."

Mr Colin Tulley is on the IT planning group at Trafalgar House. It is his lot to translate the work of EC and DTI standards bodies into useful tools for a conglomerate that embraces shipping, engineering and construction interests. He displays a refreshingly practical attitude. "We've said we'll support the Gosp profile where possible but we'll go outside the guidelines if there's a business argument for doing so."

One of the key features of OSI is X.400. This is a communications protocol that provides a common electronic mail vehicle for the internal networks of large organisations. Trafalgar House has implemented X.400. Mr Tulley speaks of the achievement with a mix of surprise and pride. "We've actually got X.400 up and running. Trafalgar House has a plethora of different computer systems and X.400 is a flexible E-mail based vehicle for outside clients too."

John Brown Engineering is an arm of Trafalgar House that has pioneered OSI. Documents, images and drawings are the stuff of its precision engineering business. These articles need to be transported internationally. "The idea is to exchange technical drawings, to update and come to agreement readily," says Mr Tulley. The means is X.400.

OSI compliance has meant a modest investment for Trafalgar House so far. A Hewlett-Packard Unix machine to run the Open Mail X.400 product cost around \$40,000. As the John Brown project expands, one or two more of these machines will be dedicated to communications.

But pricing out a communications strategy is not a high priority. "There probably isn't an identifiable tangible payback for this kind of technology," says Mr Tulley. "The point is that it helps you service your customers more effectively."

From the John Brown pilot, Trafalgar House plans to expand the reach of its OSI products via a private network that will link every operation in the group. Mr Tulley is at pains to underline the commercial reality behind the conglomerate's attachment to the DTI's favourite protocol.

"We have a sceptical view, freedom to choose suppliers is our motive, in an ideal world we want to switch from hardware platform to platform with ease."

Mr Tulley welcomes Gosp as a cut-down version of OSI that allows the user to choose which options he wishes to support. But he claims many standards are open to interpretation and says a full scale implementation of OSI is impractical. "It takes up too much room on the machine and that's the penalty you pay for having standards built by a committee." Such instinctive dislike of officialdom may be the grand design's biggest handicap.

Michael Dempsey

"You find yourself with a 300-page document, and that is not realistic for the end-user"

such fine print. "You find yourself with a 300-page document, and that is not realistic for the end-user. Gosp reduces it all to something simple." Gosp has whittled the 400 options contained in the OSI model down to 12 essentials.

Although it is a government sponsored initiative, Gosp aims to lead the commercial sector. "We don't just sit in Millbank and make it up," says Mr O'Neill, "because we want to do what people want we built feedback into the process."

Computer suppliers have been quick to hitch their own standards groups to the official bodies and have good incentives for keeping abreast of standards. "The government backing for OSI is driving us as suppliers," says Mr Simon Goodwin, connectivity manager at NCR in London. A user base in local and national government obliges NCR to sign up.

Suppliers have done more than ape the OSI line. They have set up a parallel bureaucracy. EuroSinet brings together representatives of the leading vendors in meetings around Europe. Companies nominate one European office to represent their perspective on evolving standards. Internal documents make it plain that active participation in maintaining common European standards is commercially vital.

NCR's Copenhagen office is responsible for briefing the rest of the organisation on the significance of a European procurement standard. It characterises the OSI market in stark terms: "320m people, a yearly spending on IT equipment in the \$100bn size."

Enter the EC and a new acronym. European Procurement Handbook for Open Systems, Ephos, is the Brussels answer to Gosp. It is serious. "In order to sell in Europe NCR must deliver products that follow the procurement standards or be able to justify why the NCR approach is better." This is NCR Copenhagen's line on Ephos.

Ephos owes its existence to a 1987 EC directive that sought to include IT systems in the single market. On March 26 this year, 200 representatives of standards bodies gathered in Brussels to push the Ephos boat out.

The message was that Europeans could establish IT procurement standards on a par with the rigid US government rules. The list of attendees sounds like a lost language. Ositop, Spag, Ewos and OSTC were among the acronyms celebrated.

Where does Ephos leave

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## COMPUTERS AND COMMUNICATIONS 4

## LOCAL AREA NETWORKS

## ATM changes the rules

The growth of computer networks in the past decade has pushed communications technology to its limit.

As companies connect increasing numbers of personal computers and workstations to their enterprise-wide networks, the limitations of the first wave of local area network (LAN) technology have become evident.

In addition, companies now see LANs as more than just a way to connect conventional computers together. They see the potential of multimedia networks and the applications opportunities they offer.

Consequently, they want to use the same network to carry voice traffic and, looking to the future, they want to be able to use it for video and images too. The combination of these different forms of traffic and the increased volume of digital data they generate means that existing networking technology is inadequate.

Fortunately a new technology, which can meet the demands of future networks, has emerged from the international telecommunications sector: Asynchronous Transfer Mode (ATM) promises to overcome the limitations of current networking technology and, more importantly, to bring a common form to networking traffic regardless of its content.

Larger companies are starting to plan for ATM technology and it has backing from a broad range of computer and communications suppliers.

"ATM technology offers a different way to build networks and will change the whole networking industry," says Ms Bobbi Murphy, vice-president of marketing for Hughes LAN Systems, the communications subsidiary of Hughes Aircraft.

Hughes LAN is one of the first communications suppliers to come to market with ATM products. Ms Murphy says existing LAN technology is limited in "bandwidth", a measure of the amount of data which can be carried on a communications line. "If you put more users on the network you run into performance problems because of the small bandwidth. And it is made worse by the way that LAN technology works," she says.

Most LANs use either Ethernet technology or "token-ring" technology. In both cases, data is sent around the network in variable length "packets" - a method which incurs processing overheads.

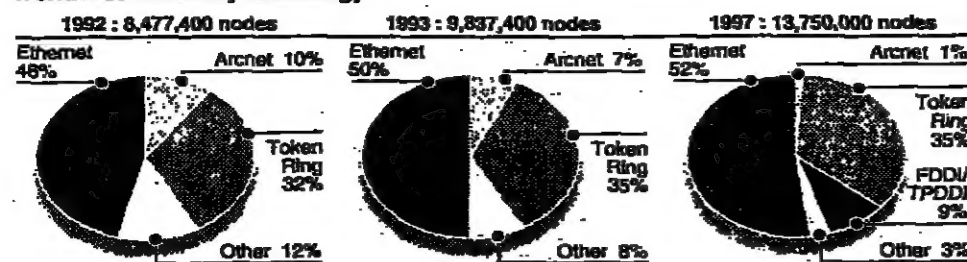
Furthermore, a number of different network formats or protocols has grown up over the past decade and, when a company wants to connect two different types of LAN together, data must be translated from one format to the other. When LANs are connected to external wide area networks (WAN), further translation or "protocol conversion" is usually needed.

ATM technology aims to solve many of these problems. Like current LAN technology, it also uses "packets" to carry data. But it avoids many of the problems by using a fixed-size packet. Each ATM packet - known as a "cell" - contains only 53 bytes of data, including five which are used for addressing and routing the data through the network.

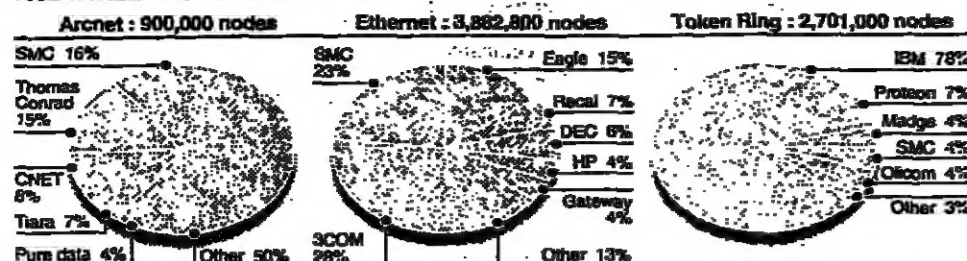
This has a number of advantages - the most important being that the cells can be handled by hardware, thus speeding up the network. The speed of transmission is crucial when carrying the voice and video signals over the network. Current LAN technology operates

## PC LAN card

Worldwide market by technology



## 1992 worldwide market share



David Drury: a hierarchy of speeds is possible

at a maximum transmission rate of 10 megabits a second and has the potential to handle much higher rates.

Mr David Drury, European general manager for US supplier Fore Systems, sees the scalability of ATM technology as one of its main virtues.

"There is a hierarchy of speeds possible with ATM from 155 megabits up to 2.4 gigabits. If you run out of bandwidth between points in the network - you don't have to throw it all out - you can upgrade those parts of the network where higher speeds are

needed," he says. "It is the first time you will have all communications in a single media format. It is not just a 'go-faster' technology - it enables new applications."

Fore Systems began delivering ATM compatible networking products in May and sees it as an important growth area. Like Hughes LAN, Fore Systems sees the main demand for products which can help the transition from current LAN technology to ATM.

"We can provide products which can link to current technology like Novell's Netware," says Mr Drury.

A big advantage of ATM is that the large telecommunications suppliers - including AT&T and MCI in the USA and British Telecom in the UK - are committed to move to the technology for their long-haul networks. Once in place, all types of data can be moved from source to destination without the need for conversion.

"It will probably be 1995 before the wider ATM infrastructure starts to slot into place. But there are opportunities now for companies to use it for high-speed LANs," says Mr Drury.

The UK could be in the forefront of the move to ATM technology. Plans have been approved by the UK government to upgrade the Janet network, which links UK universities and research institutes, to ATM technology. The new network will be known as Super-Janet and will use ATM technology to link 200 sites across the UK.

"We aim to offer much higher performance and provide a multi-service network to handle voice, data and multimedia," says Dr Robert Cooper, director of networking for the UK universities and national research institutes.

"We are moving more towards image-based communications and this will open up all kinds of new applications," Dr Cooper says education and medical applications in particular will benefit from the faster speeds and greater bandwidth offered by ATM. A pilot application to link six UK sites with ATM is scheduled to start in March 1993.

It seems likely that this will be the first of many moves towards ATM technology for future networking needs.

Philip Manchester

## Network management potential remains untapped

## Waiting to plug in

NETWORK management is one of the big challenges confronting the information technology industry today. The promised land of open systems, which depends heavily on more effective network management, looks to be still a long way off.

The aim is to be able to manage distributed information systems as well as the present generation of centralised mainframe or minicomputer systems. But experts say this will not happen much before the turn of the century.

Mr Steve Wendler, vice-president of US market research firm Gartner Group, predicts cautiously: "In the latter half of the decade we shall start to see these problems more comprehensively addressed."

Meanwhile systems managers remain unable to harness the full power of distributed processing for transmission of large volumes of data across multi-vendor networks to support their critical applications.

Network management is a relatively new subject. Estimates of the proportion of IT budgets consumed by network management range from 2 per cent to 30 per cent, but it is generally agreed that as recession puts budgets under pressure, investment in network management products has been cut back.

Mr Tony Miller, a consultant systems engineer at Hitachi Data Systems says: "There is a general reluctance to invest in network management, because people don't realise that the network is the system."

The upgrading of corporate networks has been stalled - and in some cases reversed - by the recession. Meanwhile mergers and takeovers among systems suppliers have created a lot of work in rationalising their product lines.

Mr Bob Broadbent, general manager of consulting and technical services for ICL says there are no off-the-shelf solutions yet, so that tasks such as

configuration management and software version control, often require outside systems integrators to handle.

The network management issue is bigger than most which the industry has tackled up to now because it requires the collaboration of many large companies in computing and telecommunications.

Many in the industry say the situation is made worse by the plethora of consortia and standards bodies which appear to be more in conflict than in collaboration.

The supreme authority is the International Standards Organisation, which is developing its open systems interconnection (OSI) framework. But there are no full specifications for network management within OSI nor are there likely to be for perhaps 10 years.

The principal network management software products, such as IBM's Netview and equivalent packages from Hewlett-Packard and Sun Microsystems are moving gradually towards OSI.

No supplier now questions that OSI is the ultimate goal, but users are left wondering how to cope until OSI matures. The problem is how to avoid a strategy which results in their technology being obsolete in three years' time.

For instance, many users face a choice between the OSI standard CMIP (Common Management Information Protocol) and the SNMP (Simple Network Management Protocol), supported by the Internet organisation.

Many think CMIP will be the long-term winner, since it is seen as the cornerstone protocol of OSI, but wonder if in the short term they would be better to back the cheaper and easier, if less secure, SNMP.

SNMP has been widely adopted by users who want to integrate their local area networks, while CMIP has so far only been taken on by a few

large users seeking to unify their management information from a range of diverse networks.

These leading users, mainly multinational corporations, will start to adopt OSI standards more widely in two or three years' time. But they will probably not be able to create a full OSI network until well into the next century.

There are some hopeful signs. One is that the Network Management Forum (NMF) dropped the "OSI" from its title, signalling its willingness to adopt a more pragmatic stance. This has strengthened its position as driver of the campaign to set networking standards. It continues to support OSI as a long-term goal, but recognises that users have immediate problems which may compel them to adopt interim solutions based on less than ideal products.

Omnipoint, an initiative run by the NMF, has brought out a set of standards for interoperability which appears to be gaining acceptance.

Some users are looking to solve the problem by outsourcing their networks as well as the rest of their IT. The potential cost-savings from this policy are less impressive than those gained by devolving responsibility for hardware or software, but any savings are seen as worthwhile in the current economic climate.

More importantly, outsourcing can secure access to scarce skills. Mr Chris Massey, IT manager for the Ticketing Group, part of Wembley, the London event organiser, says this was the motive in letting Systems Reliability take charge of his network of Compaq and Apple.

High level skills such as those required for network management remain in great demand even amid a rising tide of unemployment.

George Black

## Paul Taylor looks at the ways electronic data interchange is being put to work

## Towards a world without paper

THE rapid growth in the use of electronic data interchange (EDI) by companies and other organisations to exchange information, particularly routine documents such as orders and invoices, is beginning to transform the traditional paper-based business transaction.

EDI is a value-added network service which enables two organisations, such as customer and supplier, to exchange business documentation in a standard electronic form using their own computers linked through a service provider. It is one of the most dynamic applications made possible by computer networking and is expected to grow steadily in importance and eventually replace paper-based transactions in many business sectors.

Typically, a standard business transaction such as an order is generated on a computer, printed out, sent to a supplier and then re-keyed into

another computer. EDI provides an electronic "short-cut" which is faster and often cheaper than paper-based transactions and reduces the need for re-keying of data and therefore the risk of error.

Orders or invoices sent by EDI can be placed and confirmed in seconds and one US study suggested that electronic trading can reduce the cost of processing a form by 90 per cent. By reducing the time taken to process a transaction manufacturing companies and retailers can reduce their level of stocks and adopt management techniques such as just-in-time inventory control.

Trading information electronically can also help suppliers and their customers align

their operations more closely to sales patterns and to other variables, and lead to a closer "partnership" between supplier and customer.

In addition using EDI automatically sets up an "audit

The benefits have brought big growth in the use of EDI in the US and in the UK

trail" which enables an organisation to check and validate electronic documentation or bill a transaction between separate parts of the same organisation.

These benefits have brought big growth in the use of EDI in

the US, where it originated and in the UK, which is generally accepted to be the EDI leader in Europe. However, Ovum, a consultancy specialising in telecommunications market, suggested in a recent forecast that the rest of Europe is catching up fast. Two years ago, Britain accounted for 60 per cent of European EDI users. Now, the proportion is down to 40 per cent.

Between 6,000 and 7,000 companies and organisations in Britain are using electronic trading and the number is growing by more than 30 per cent a year. But there is still room for growth. Some recent estimates have suggested that only 3 per cent of business transactions in the UK are currently handled by EDI.

International Network Services (INS) the biggest of the UK-based EDI services providers with an estimated 55 per cent market share, handles over 6m documents a month on its Tradanet service and says 100 new companies are joining its "EDI community" every month. Its customers include 78 of the top 100 UK companies, nine of the top 10 retailers, the 10 largest pharmaceutical companies, 17 of

the top 30 non-life insurers, 10 regional health authorities and four clearing banks.

Other EDI network service suppliers in the UK include AT&T Intel, which has a strong base in manufacturing industry, British Telecom, IBM, and SD-Scicon. Companies use these service suppliers because they provide a central "post office" function, directing message traffic to the appropriate recipient and providing any "data translation" needed between different computers or message standards.

UK sectors which have pioneered the use of EDI include the motor and electronics industries and the retail trade, particularly the supermarket chains. The large scale usage by supermarkets in particular highlights the particular attractions of EDI to businesses with high volumes of low-value transactions and those involving fast-moving or perishable goods.

Although EDI is still a relatively new use of networking technology some clear trends are emerging. According to Mr Colin Billinge, marketing director for INS, these include:

- Internationalisation. There is an increasing use of Edifact

(EDI for Administration, Commerce and Transport), the emerging group of international message standards. Mr Billinge estimates that somewhere between 15 and 20 per cent of INS's customers now have international links. Retailers led by Tesco and Boots, which have developed extensive domestic supplier networks using EDI, are now doing the same with overseas suppliers.

Tesco started its international programme in January with MD Foods, its Danish dairy products supplier. Since then it has extended its use of INS-Tradant overseas to include selected Belgian, German and French suppliers. By the end of this year it expects to have established EDI links with 50 or more overseas suppliers.

"Our aim is to extend significantly our electronic trading links with European business partners, initially for the transmission of EANCOM purchase orders, followed by invoices and other documents such as forecasts of expected demand," says Mr Geoff Warburton, Tesco's controller.

In Europe, where only about 2 per cent of EDI traffic is

trans-national, this process is likely to be accelerated by the introduction of the EC single market at the end of this year.

Mr Patrick Smith, Boots' EDI manager, says: "The single market is providing us with the springboard from which to extend our electronic trading links to our numerous international suppliers. The benefits of international EDI are likely to be even greater than we have seen nationally to date, shrinking both time and distance, enabling us to ignore geographic boundaries."

● Increasing Sophistication. Originally EDI tended to be used only for basic transactions like ordering and invoicing. However as familiarity

EDIs is also being integrated into existing internal electronic mail systems

with electronic trading has grown, so has the range of information transmitted over EDI links.

Some EDI users are now using the system to exchange information, such as demand forecasts, with their suppliers.

For instance Tesco, which has built a network of more than 1,000 firms communicating electronically, has begun to issue 13-week rolling forecasts of demand to some of its suppliers. By cutting the time between placing an order and delivery retailers and their suppliers can operate more efficiently, cut their administrative costs and keep stock levels to a minimum.

Some EDI pioneers have even begun to introduce self-billing and automatic re-stocking of customers. Using EDI trusted suppliers can be authorised to deliver goods as their customers' stocks run low, without needing order messages. Meanwhile customers can invoice themselves and arrange payment through the banks, which are also starting to join in the EDI network, thus eliminating the whole paper transaction cycle.

● Integration. EDI is being integrated into the fundamental business process. One effect of this is that there is a growing use of EDI to exchange "unstructured data" for example design work or cad-cam drawings.

EDI is also being integrated into existing internal elec-

tronic mail systems. Using EDI in this way enables a customer to link two incompatible email systems, for example in different departments or divisions.

Software such as INS-Edi-switch is being used by companies to provide both an internal data switch and a gateway to the outside third party services providing what Mr Billinge describes as "the first complete 'one-stop shop' for electronic trading."

EDI is also gradually reaching a wider audience. Not only are new sectors, such as the book industry in the UK, beginning to adopt electronic trading, but customers are devising new innovative uses for EDI.

EuroDollar, the UK's second largest daily car rental company, is using it to combat car crime. When EuroDollar purchases a new vehicle its details are sent electronically to HPI, a vehicle information specialist, to be stored in its Security Register. Over 18,000 motor dealers check the history of a used vehicle they are offered against the register.

If the vehicle appears on the register, HPI warns the enquirer and the owner, so if EuroDollar receives an "alert" from HPI, it knows one of its fleet is being illegally offered for sale and can take immediate action.

Government departments and other public sector organisations such as the national Health Service are also increasing their use of EDI. Within the UK government, the Education Department is probably most advanced in its use of EDI and electronic messaging and all 117 education authorities have now been linked into its dedicated EDI network. Other departments, including the Home Office and the Central Statistical Office, are also examining the potential use of what has become known as administrative EDI - to differentiate it from the usual commercial uses of EDI.

The growing use of EDI by both the private and public sectors means that it is becoming increasingly important for even small suppliers to have access to an EDI network. Already many big UK companies have begun signalling to their suppliers that they must adopt EDI in the next few years if they want to continue trading together. EDI capability is rapidly becoming part of the cost of doing business.

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Olivetti transfers the videophone from science-fiction to reality

## Livening up the picture

THE operators of two personal computers will exchange data between Pisa and London today. The information will be flashed across Europe using Integrated Services Digital Network (ISDN) telecomm standards.

There's nothing unusual about that. What merits a public demonstration at Olivetti's Interactive Multi-Media Event is that video cameras fixed to each monitor will transmit a live video image of either user.

The picture forms one frame of a split screen using windowing software. Other windows will contain still images that can be modified by one party as the other looks on. A telephone handset completes the communications package.

The Personal Communication Computer (PCC) is the result of collaboration between British Telecom and Olivetti multi-media research labs in Pisa.

It marks the transition of the videophone from science-fiction gimmick to working tool, and owes its existence to the maturing of international communications standards.

Mr Chris Hart is a BT manager for architecture, technology and standards. He has watched video communications struggle after a false start. "The original BT video experiments were in the '70s, but what came out of them was telefax. BT had a belief in video telephony then and it bombed." Transmitting a moving image digitally was the problem.

That was before ISDN arrived to support the speed of transmission and provide an internationally agreed standard to carry the data. ISDN has been fuelled by the Open Systems Interconnection (OSI) initiative towards open standards in computer communications.

Without a widespread data standard the PCC could be an expensive laboratory toy. A communications computer that would only talk to machines from the one supplier would not appeal to any sensible user.

With commonly defined standards, BT can launch PCC products with any other computer maker it chooses. An alliance with IBM is already in the works.

The PCC only began to make sense with market acceptance of multi-media, the technology that ties video, audio text and



Olivetti's PCC: a multi-media PC integrating the functions of a video telephone over ISDN lines

graphics together in one PC package. Olivetti used off the shelf products (the video camera is from Panasonic or Sony) and married them to the PCC. The product owes its existence to these underpinning technologies.

Not every business application cries out for live video links. Foreign exchange dealers do not require their trading partner to witness the chaos of a dealing room. And because ISDN signals still travel over copper wires, the video rate is slowed down to 10 frames a

second, around a third of TV transfer rates. The result is a slightly jerky picture.

But EC-funded work carried out as part of the Research into Advanced Communications in Europe (Race) project suggests live video links are more than an elaborate gimmick.

Prototype PCCs became popular with staff at Allied Irish Bank. The ability to communicate with a live member of staff is the next step in the use of multi-media in retailing.

Interactive systems using video disks are currently used to sell financial services. But they are limited to answering whatever queries the help-screen has been pre-programmed for.

Sooner or later human intervention is required. One expert at one location can service several retail outlets via a network of PCCs.

With enhanced versions on the way, Olivetti is proposing to rent out a pair of PCCs for £2,000 a month, with imminent upgrades thrown in. Used imaginatively the ability to redesign plans and documents on-screen over great distances could offer significant cost benefits.

And the advance of open computer communications has already been seized on as a force multiplier by the retail banking industry.

Olivetti will deliver 1,000 network controllers to National Westminster Bank this year. The bank is spending £20m in the current year to get a comprehensive dedicated computer communications systems up and running.

These controllers are powerful workstations known as file servers that will run NatWest retail banking applications in each branch and summon personal account data via the bank's network. The X.25 OSI protocol is the key to NatWest's plans. Building a network around the open systems model permits chopping and changing suppliers at will, provided they meet OSI criteria.

Olivetti is prime contractor on the project. It integrates software from the bank and third parties and ensures that the resulting system will run happily across a wide area network. This contract comes as recognition of its status in the open systems world. But that achievement also contains a threat.

NatWest is buying in Olivetti expertise in creating a broad-ranging network that will be open to other sources of technology. Doing the job properly

and within cost is the only guarantee Olivetti has of being asked back to participate next year.

Mr Chris Wilson is group communications manager at Olivetti in the UK. He is well aware that a religious adherence to OSI can earn little recognition. "Most OSI work we sell is embedded under other products," he says. A majority of UK building societies now rely on OSI networking products from Olivetti. But the company's crucial code-writing skills have a low visibility.

As customers exert greater pressure on costs, Olivetti will have to fight to justify prices that reflect a great investment in baseline communications technology. If the PCC is popular BT will have Olivetti's rivals queuing up to adapt their business computers to the world of video links. Getting in first has obvious advantages, but staying ahead of the pack could be tougher than acquiring an open communications capability in the first place.

Michael Dempsey

Communicating with a live member of staff is the next step in the use of multi-media in retailing

second, around a third of TV transfer rates. The result is a slightly jerky picture.

But EC-funded work carried out as part of the Research into Advanced Communications in Europe (Race) project suggests live video links are more than an elaborate gimmick.

Prototype PCCs became popular with staff at Allied Irish Bank. The ability to communicate with a live member of staff is the next step in the use of multi-media in retailing.

Interactive systems using video disks are currently used to sell financial services. But they are limited to answering whatever queries the help-screen has been pre-programmed for.

Sooner or later human intervention is required. One expert at one location can service several retail outlets via a network of PCCs.

With enhanced versions on the way, Olivetti is proposing to rent out a pair of PCCs for £2,000 a month, with imminent upgrades thrown in. Used imaginatively the ability to redesign plans and documents on-screen over great distances could offer significant cost benefits.

And the advance of open computer communications has already been seized on as a force multiplier by the retail banking industry.

Olivetti will deliver 1,000 network controllers to National Westminster Bank this year. The bank is spending £20m in the current year to get a comprehensive dedicated computer communications systems up and running.

PROFILE: DIGITAL EQUIPMENT

## Tackling change head on

DIGITAL Equipment is betting its future on open systems. The world's second-biggest computer company - and the first to build its success on the popularity of minicomputers - has declared that open systems are vital to its survival.

This is radical stuff, particularly for a company that built its fortunes on "proprietary" computer designs. However, according to Digital Equipment's new president and chief executive officer Mr Robert Palmer, the company will not make it to the end of the century without these changes.

"Digital is facing a much more competitive environment than it has ever faced before," he said in his first major speech since taking the top job at Digital. "Driven by open systems and by breakthroughs in silicon technology, a massive change has been sweeping through our industry. The historically high margins on hardware and the business model upon which Digital was built are no longer sustainable."

Mr Palmer says Digital has had to change totally the way it operates. "As computer hardware performance skyrockets, open systems and the competitive process are driving down prices and squeezing margins, requiring that we lower our cost of doing business."

"We understand that very clearly. It comes to us in the almost paradoxical message that we get from our customers. In terms of hardware, customers have never been as empowered to control the market as they are today."

"At the same time, the rapidity of technical change and the difficulty of integrating divergent systems has had an unsettling effect on many customers."

"Some customers are outsourcing - delegating total management of their computers to us. Others are seeking a greater level of advice, support and partnership from us than ever before."

One clear demonstration of this commitment has been the development by Digital of its OpenVMS environment - an "open systems" variation on the company's popular VMS minicomputer operating system for its VAX range.

At Norwich Union, for example, a Comshare system is used daily to look at relevant news from the financial press and analyse it under headings such as insurance companies and disasters. Yorkshire Water monitors trends in water quality, as well as capital investment and human resources.

The expanding application of executive information systems seems to have brought greater user satisfaction. New research by Business Intelligence\* shows that 33 per cent of users mention tangible benefits, 58 per cent intangible benefits and 10 per cent both. Only 4 per cent report no benefits.

In addition two-thirds say their systems have "substantially" improved their decision making, largely through the ability to get to the bottom of exceptions.

The expanding application and the increased satisfaction are leading to wider use. In the Business Intelligence survey 40 per cent of respondents said they would have over 50 users within two years and a further 20 per cent expected similar growth in the next three years. In 7 per cent of organisations there would be 1,000 users by 1997.

Such growth perhaps explains why suppliers, while keeping EIS as their product name, are increasingly changing the meaning to enterprise information systems.

\*Understanding Executive Information Requirements. Business Intelligence, Forum House, 1 Graham Road, London SW19 3SW; Tel: 081 544 1830

John Kavanagh



Robert Palmer: facing a more competitive environment

Critics of OpenVMS might suggest that this is merely Digital's attempt to cash in on the popularity of open systems. But Digital says that it has changed the name of VMS to OpenVMS to reflect its "product branding" from the X/Open independent open systems group - and that OpenVMS is

along with the OSF/1 (Open Systems Foundation) and Microsoft Windows NT operating systems - form the foundation of Digital's new strategy.

Meanwhile, Mr Martin Hingley - a senior technology analyst at International Data

Corporation (IDC) - suggests that Digital seems to be taking the right approach by building "open systems compliance" into both the name and content of VMS.

"Open systems are about a lot more than just Unix," he says. "With OpenVMS, Digital's customers no longer need to make choices between 'standards' and the high performance of VAX. Digital also stands to expand its government business in Europe."

Digital has another weapon in its open systems arsenal. Known as Alpha, it is a 64-bit computing architecture designed to give Digital a huge

performance edge over the competition.

The first implementation of the Alpha architecture is Digital's DECchip 21064 - which it claims is the world's fastest microprocessor, running at clock speeds of 150 to 200 Mhz. The fastest microprocessors typically used in today's personal computer systems only run up to 68 Mhz.

Digital says that although its latest systems do not use this much-touted Alpha architecture yet, they have been designed to be "Alpha-ready". This should mean that the company's current and prospective customers can "migrate" in the future from existing systems to more powerful VAX or Alpha-based systems.

The final word on these and other plans belongs with new Digital boss Mr Palmer. "We are committed to the concept of being customer driven," he promises. "As our customers demand more, we intend to deliver what they tell us they need. For example, customers are demanding open systems - open systems are driving this market. Digital will therefore do whatever has to be done to be a leader in open systems."

The company, he adds, is also aggressively investing in systems integration and consulting expertise as a part of this drive. "Digital's systems integration business is growing at more than 30 per cent per year and is profitable."

"It represents an excellent opportunity, exceeding \$2bn in revenue in our fiscal year. We will continue to focus here, and in our multivendor service capabilities. We now service more than 10,000 hardware and software products from 1,300 different vendors."

"And that number is growing. Digital does a better job integrating multiple vendors, hardware and software products than anyone else in the industry, and we will continue to focus on that capability... We are committed to expanding our industry-focused applications by substantially growing the number of our software partners."

Geof Wheelwright

"We are committed to the concept of being customer driven... Digital is clearly confident that OpenVMS can compete on its merits without the protection of a proprietary lock-in"

now the first premier, commercial operating system to achieve such a level of open systems conformance.

According to X/Open spokesman Mr Michael Lambert, Digital's work towards more open systems by conforming to the standards set by his consortium will serve it in good stead.

"OpenVMS represents a clear response to user needs and the strongest possible commitment to open systems," he said. "Digital is clearly confident that OpenVMS can compete on its merits without the protection of a proprietary lock-in."

In addition, Digital says the

Executive information unlocks data stored in different systems

## Manna to the management

EXECUTIVE information systems have been around since the mid-1980s but it has taken developments in other areas since then to get them widely accepted.

Recent studies suggest that over 40 per cent of the top 1,000 companies in the UK now have these systems and that 7,000 managers in those companies use them. The number of users is expected to grow by 30 per cent this year.

In theory and, increasingly, in practice, executive information systems are the answer to senior management's prayers. They unlock the masses of data stored in different systems across an organisation and present it as colourful, graphical summaries. Users can seek further detail by touching areas on the screen or using a simple keypad or conventional keyboard, but the emphasis throughout is on ease of use.

The raw data behind the charts and graphs comes from the traditional corporate or departmental systems handling order processing, stock control and so on. Other possible sources include external databases or news services, word processors and electronic mail systems.

The executive information system's role is to extract the relevant data from many sources and present it as information in the formats demanded by the users, often on a personal computer connected to a central system. The PC can usually be connected to gather the latest data and then used on its own for examining the information.

The format and content of each chart have traditionally been fixed when the system is set up. The idea was that the system would reflect the periodic management briefing book.

There are simple links between charts: an executive could move from a consolidated sales graph to a chart about a troubled subsidiary and then to a region and down to an individual shop, product or salesman - each time at the touch of a key or a spot on the screen.

Instant access to summary



David Harvey: think through exactly what you want

information, the potential for highlighting exceptions or variances with budget and the ease with which executives can find the reasons for a variance, in terms of an individual salesman's performance, have thrown up major implications for entire organisations.

Users have pointed out that with paper reports, if a problem is highlighted at a monthly directors' meeting, someone is asked to gather information for the next meeting. An executive information system provides the detail immediately.

This in turn means people further down in the organisation, close to the problem, have to confront realities and react quickly: they can no longer fudge an answer for senior executives, because those executives have the hard data.

The direct access to information and closer ties between junior managers also mean the top executives no longer need all the support people who in the past would have been responsible for gathering data and turning it into information reports. In some cases companies have cut three or four layers of management after setting up an executive information system.

Even so, views on the success of the systems have been mixed, at least until recently. At the start of the 1990s studies by Business Intelligence, a research company which largely specialises in executive information systems, found that although 75 per cent of managers had seen improve-

ments in financial control, information quality and problem solving, similar numbers reported no advantages from replacing existing paper systems.

Mr David Harvey, a director of Business Intelligence, says the disappointments were largely due to a failure to apply technology properly.

"Simply replacing the briefing book is like using a racehorse to pull a cart," he says. "Too many of these companies failed to think through exactly what they wanted. You have to think about how the system can change the way the organisation is run."

However, two separate recent developments are starting to change attitudes towards executive information systems and to expand their use.

First, in the past year suppliers have responded to developments in so-called client-server computing, open systems and graphical user interfaces and have built more flexibility into their systems.

Established and traditionally mainframe computer systems are now being offered for PC networks. Where systems used to draw data from corporate files into their own databases specifically for their own use, they now provide direct links into popular database systems such as Oracle and Ingres.

In addition, system development aids are being provided so that a user company's computing specialists can set up screens and the links between them.

"Originally executive information system suppliers provided a closed package of user interface software, processing software and data, but now we're separating the components and going for open systems architectures," says a spokesman for Pilot Executive Software, which vies with Comshare for the title of market leader.

Prices have also moved more into line with what PC users expect: traditional mainframe systems have cost tens of thousands of pounds to set up; Comshare's new offering starts at £13,700 for 10 networked PCs.

The second development affecting executive information

systems is in business thinking.

Traditionally finance has been the only measure of corporate finance and executive information systems have tended to provide financial reports," says Mr David Harvey at Business Intelligence. "But now there is pressure to redefine business performance measurement and bring in other factors."

Such developments have helped increase both the use of executive information systems and users' satisfaction with them.

At Norwich Union, for example, a Comshare system is used daily to look at relevant news from the financial press and analyse it under headings such as insurance companies and disasters. Yorkshire Water monitors trends in water quality, as well as capital investment and human resources.

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\*Understanding Executive Information Requirements. Business Intelligence, Forum House, 1 Graham Road, London SW19 3SW; Tel: 081 544 1830

John Kavanagh

The second development affecting executive information

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## COMPUTERS AND COMMUNICATIONS 6

## PROFILE: NOVELL

## Mirror to market growth

WITH A commanding 60 per cent share of the \$900m worldwide market for local area network software, Novell is the standards setter in the fastest growth segment of the computer systems software market.

The company's flagship product, NetWare, had become the *de facto* standard by the end of 1986 and since then has steadily gained market share. The program is a network operating system that manages and controls the sharing of services, data and applications among personal computers linked to workgroup and departmental networks as well as company-wide information systems.

The network operating system market grew by about 40 per cent last year, according to market analysts, and is expected to maintain at least a 30 per cent growth rate over the next several years. Novell's growth has mirrored that of the market it serves.

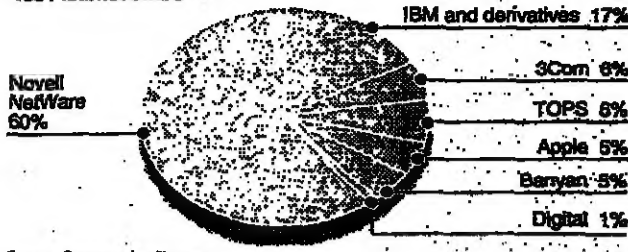
For the first nine months of 1992 the company reported revenues of \$673m, an increase of 49 per cent over the same period last year. Net income rose to \$179.5m for the nine month period, an increase of 60 per cent.

The use of local area networks (LANs) has evolved over the past decade to become a primary element of corporate computing systems. While early LANs were used primarily to link PCs so that users could share printers or data storage devices, today many corporations are building "enterprise-wide" networks that encompass all of a company's computer systems.

Such "internetworks" become, in effect, the backbone

## Network operating systems

1991 Market share



Source: Computer Intelligence

of a corporate computing system and the network operating system is a critical element of the software environment.

Industry analysts predict that, over time, applications programs will increasingly be written not just for stand-alone computer operating systems but also for network operating systems, enabling data to be more easily shared among different types of computers.

Novell's expanding role in the software market reflects the growing importance of networking as an alternative to traditional host computer to terminal links.

Novell is expected to launch, before the end of the year, a new version of NetWare that will include features designed to implement international enterprise-wide internetworks.

The market for enterprise-wide network operating systems is potentially even larger than the current market for LANs operating systems, according to industry analysts, and could reach \$1bn over the next few years.

In the low end of the network operating system market for "peer to peer" LANs Novell is, however, facing a new challenge from Microsoft, the

world's largest software company, which is about to launch a new version of its "Windows" operating system designed for use by "workgroups".

Mr Bill Gates, Microsoft chairman, claims Windows for Workgroups will "subsume" Novell's popular "NetWare Lite" program, a stripped down version of NetWare designed for small office networks.

Novell has not responded to Mr Gates' taunts, but in spite of its dominant role in the PC operating system market, Microsoft has so far failed to unseat the network software leader.

The primary focus of Novell's strategy is in any case focused at larger, rather than smaller, networks. Recent product introductions include message handling software, hub software, routing software and network management software aimed at large scale networks.

Last month Novell also began shipping NetWare SNA Links, a program designed to enable international Business Machines customers to connect geographically dispersed PC networks via existing mainframe computer links.

Meanwhile, Novell is mounting

its own challenges to Microsoft in the computer operating systems market. Novell offers DR DOS, an alternative to Microsoft's MS DOS PC operating system. Through Univel, its joint venture company with AT&T's Unix System Laboratory, Novell aims to expand the use of the Unix operating system on PCs, competing with Microsoft's planned Windows NT. Novell owns 55 per cent of Univel.

In recent years Novell has bolstered its technology base with a series of acquisitions. The latest is Annatek Systems, a developer of automated software distribution and management systems that allow network managers to keep track of software distribution, installation and updates.

Still, large portions of the potential market for Novell's networking software products remain "untapped". Currently about 30 to 35 per cent of PCs in the US are linked to networks. The penetration of local area networks is expected to rise to almost 100 per cent over the next decade. Market analysts expect virtually all PCs used in large organisations to be connected to networks.

International markets are increasingly important for Novell. For the first six months of fiscal 1992, sales outside the US represented 48 per cent of total revenues, up from 44 per cent in fiscal 1991.

Japan represents the company's most promising new market. With an estimated 10 per cent of the world's PCs installed in Japan, fewer than 5 per cent are currently linked to networks, according to industry estimates.

Louise Kehoe

## PROFILE: 3COM

## Widening horizons worked

A PIONEER of local area networking technology, 3Com is also proving to be a survivor. The Silicon Valley company which played a vital role in creating the local area network (LAN) market in the early 1980s is making a strong come-back after refocusing its product line on global networking hardware two years ago.

Founded in 1979, 3Com commercialised "Ethernet" networking technology, which remains a pervasive industry standard for PC networks. Ethernet "adapter cards" - add on circuit boards that plug into personal computers and enable them to be linked to a network - remain 3Com's bread and butter products and represent over half of the company's revenues.

Ill fated attempts, in the late 1980s, to broaden the company's participation in the markets for network servers and diskless PCs for networks were jettisoned last year. 3Com also withdrew from the network operating systems market in which it had first attempted to establish its own software standard and then linked with Microsoft by backing LAN Manager.

Already, however, 3Com's new focus on global networking is paying off. In September, 3Com announced first quarter 1992 net income of \$4.8m on record sales of \$130.9m. New product orders totalled \$125.9m.

For fiscal 1992, ending May 31, 3Com reported total revenues of \$408.4m, up from \$363.6m in 1991. Net income was \$13.3m, down from \$16.4m in the previous year, when the company recorded restructuring charges of approximately \$45m.

Ethernet adapter cards market share	
1992	%
3Com	29
Standard Microsystems	21
Anthem Electronics	14
Rascal	7
Digital Equipment	5

Source: International Data Corp.

Router market share	
1991	%
Cisco Systems	51
3Com	11
Wellfleet	9
Digital Equipment	7
Proteon	6

Source: The Yankee Group

Mr Eric Benhamou, 3Com's president and chief executive, attributes the company's newfound strength to two strategic directions: a relentlessly global outlook and a steady stream of broad product line announcements to address important links in the networking chain.

The company is now focused upon four core product lines: network adapters, terminal servers, wiring systems and hubs and internetworking platforms.

In September, for example, 3Com simultaneously announced 12 new hardware products in Budapest, Hong Kong, Paris, Sao Paulo, Stockholm and Milan. These products range from network adapter cards, to structured wiring hubs for directing and managing networks, to bridges and routers for connecting local and remote networks.

These are some of the fruit of \$120m spent in research and development over the past three years as 3Com beat up one of the industry's broadest product lines.

In April 3Com launched the well-received NETbuilder II router that positions it solidly in "internetworking", the trend toward linking far-flung local and wide area networks which enables users to connect their existing incompatible networking equipment without having to purchase a completely new networking system.

The internetworking market has huge growth potential. According to Frost and Sullivan, the US market research firm, 70 to 80 per cent of the 3.7m LANs installed to date have yet to be linked to internetworks. With the number of LANs expected to grow to 12.7m by 1995, growth in the internetworking market may even exceed the pace of growth in the LANs.

3Com's other product plans include an Etherlink family of adapter cards for the 100 megabit-per-second Fiber Distributed Data Interface (FDDI) marketplace. These products are aggressively priced yet carry good profit margins, analysts say.

The company has also announced a strategy for Asynchronous Transfer Mode products. It also is expected to launch adapter card products for use in Apple Macintosh computers and portable PCs.

3Com still faces some stiff competition. In the adapter board business, for example, Intel, the leading microprocessor manufacturer, has been making a run at becoming a big time player with aggressively priced 16-bit cards. 3Com also faces stiff competition in the internetworking market from companies such as Cisco Systems and Wellfleet.

Nonetheless, 3Com has positioned itself to participate in the fastest growing segments of the networking equipment market and in particular is targeting the European market.

This year, 3Com announced the acquisition of the networking operations of BICC Group plc, Europe's largest manufacturing networking hubs. The acquisition is expected to strengthen 3Com's market position by expanding its hub and low-end internetworking lines.

3Com has also recently opened a new manufacturing plant near Dublin, Ireland. The new plant, in Blanchardstown, represents an investment of \$16.5m and is 3Com's first production plant outside the US.

Totalling 60,000 square feet and expected to employ 175 people within four years, the new facility has been specifically designed for the production of 3Com's network adapter cards but may, if necessary, be expanded to produce internetworking products, the company said.

William Arnold

## PROFILE: CISCO

## Not prepared to play second fiddle

AMONG Silicon Valley's "hot" high-growth companies, Cisco Systems is a sizzler. The networking equipment manufacturer's revenues have soared over the past four years with rising demand for products that link incompatible computers and local area networks (LANs) into enterprise-wide "internetworks".

Cisco and others in the internetworking field provide solutions to the problems of companies and organisations that find themselves with a muddle of different types of incompatible computers that cannot "talk" directly to one another. While there is broad recognition of the advantages of linking computers into a single "internetwork" the task is like that of sorting out a Tower of Babel.

"It is as if you had people trying to communicate by telephone speaking different languages," explains Mr John Chambers, Cisco senior vice-president.

The obvious solution would be to demand that all computers adhere to standards so that they can share data directly and all "speak the same language".

This, in fact, is the ultimate goal of "open systems" advocates. In the meantime, however, computer users are seeking ways to exploit the full potential of their existing computer systems as well as tying them in to new equipment.

Rather than attempting to force computer users to buy only computers that comply with a particular set of data communications protocols, Cisco aims to enable users to link any and every type of computer on a single "internetwork".

"The network should be chosen to suit the computing technology - not the computing technology to suit the network," Cisco maintains.

Cisco's "routers", "bridges" and "communications servers" are used to sort computer data into "packets", regardless of the data communications protocols, and then to find the most efficient and economical route to deliver them to their destination on the network. They also assign priorities to different packets, delivering the most urgent ones first.

The market for such "internetworking" products has grown rapidly over the past few years as corporate computer users have looked for ways to connect different types of computers and LANs into a single internetwork.

Sales of internetwork equipment will increase from \$344m in 1989 to \$892m in 1994, according to International Data (IDC), a US market research group.

Cisco's roots, like those of

Sun Microsystems, the leading computer workstations manufacturer, lie in a Stanford University project to build a campus-wide network connecting all departments and laboratories.

Work on this experimental network, in the late 1970s helped to establish several networking standards.

The Stanford group worked closely with the Defense Department's Advanced Research Projects Agency (Darpa) task force assigned to defining a new network protocol for use in the international defense research network, Arpanet. This work led to the development of the Transmission Control Protocol and

systems based upon International Business Machines' proprietary networking protocols into PC-based LANs.

Over 60 per cent of large US companies use IBM's Systems Network Architecture (SNA) as the primary method for tying their computers together. These networks form the backbone of data communications for many companies, but they are based upon a hierarchical computing model that is rapidly becoming outdated by "peer to peer" networks of PCs and workstations.

Last March IBM made what it called its "most important networking announcement since the introduction of SNA in 1974".

One of the biggest challenges - and opportunities - facing the internetworking industry is developing ways to link systems based on IBM proprietary networking protocols into PC-based local area networks

Internet Protocol (TCP/IP) which have become *de facto* standards internetworking.

The Stanford network became one of the world's largest LANs in the 1980s, linking thousands of terminals, personal computers, workstations and mainframe computers. Recognising the commercial potential of their work, Mr Len Bosack director of computer facilities for Stanford's Computer Science Department and Sandy Lerner, director of computer facilities in the Graduate School of Business, formed Cisco in 1984.

By late 1987, Cisco's monthly revenues were approximately \$250,000. Five years later, they are running close to \$38m per month.

For fiscal 1992, ending in July, the company reported sales of almost \$340m, up 85 per cent from 1991, with net income of over \$84m an increase of 95 per cent from the previous fiscal year.

One of the biggest challenges - and opportunities - facing the internetworking industry is developing ways to link

Big Blue unveiled its plans for an Advanced Peer-to-Peer Networking (APPN) scheme that will give mainframe computers an equal footing with other computers, even PCs, on a network.

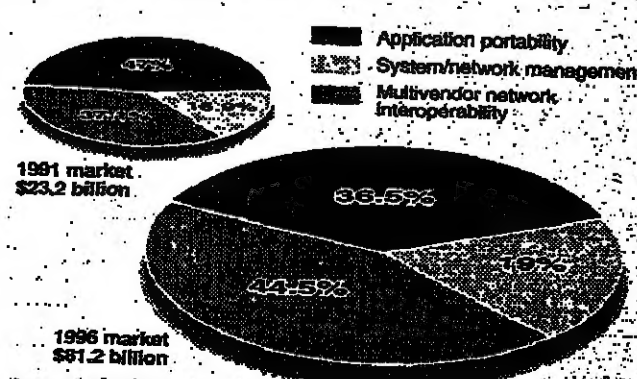
IBM promised to make its new APPN protocols available to other computer makers so that they could build products that can talk to IBM networks. Rather than play second fiddle to IBM, however, Cisco is establishing a consortium of companies involved in networking to develop "open" standards for linking SNA networks to LANs.

Taking on the computer industry giant, Cisco is promoting its competing Advanced Peer-to-Peer Internetworking (APPN), as an open, free-of-charge standard available to all users and vendors.

This bold bid to usurp IBM's traditional role as the computer industry's "standards setter" may determine whether Cisco can continue to set industry records for growth.

Louise Kehoe

## US open systems market



Source: Frost and Sullivan

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